

**CITY OF WASHINGTON
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

CITY OF WASHINGTON

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

PREPARED BY THE FINANCE DEPARTMENT

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CITY OF WASHINGTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i-v
List of Principal Officials	vi
Organizational Chart	vii
Certificate of Achievement for Excellence in Financial Reporting	viii
FINANCIAL SECTION:	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
<u>Exhibit</u>	
	Basic Financial Statements:
	Government-Wide Financial Statements:
A	Statement of Net Position 16
B	Statement of Activities 17-18
	Fund Financial Statements:
C	Balance Sheet - Governmental Funds 19-20
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 21
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities 22
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund 23
G	Statement of Fund Net Position - Proprietary Funds 24
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds 25
I	Statement of Cash Flows - Proprietary Funds 26
	Notes to the Basic Financial Statements 27-69

CITY OF WASHINGTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	70
A-2	Other Post-Employment Benefits - Required Supplementary Information	71
A-3	Local Government Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset) - Required Supplementary Information	72
A-4	Local Government Employees' Retirement System - Contributions Required Supplementary Information	73
	Combining and Individual Fund Statements and Schedules:	
	Major Governmental Funds:	
1	Comparative Balance Sheets - General Fund	74
2	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund Consolidated	75
3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	76-85
4	Economic Development Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	86
	Nonmajor Governmental Funds:	
5	Combining Balance Sheet	87
6	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	88
	Nonmajor Special Revenue Funds:	
7	CDBG Program Income Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
	Nonmajor Capital Project Funds:	
8	Combining Balance Sheet	90-91
9	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	92-93

CITY OF WASHINGTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Nonmajor Capital Project Funds (continued):	
10	New Police Station Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94
11	Public Safety Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95
12	Facade Program Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
13	Pedestrian Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	97
14	Way Finding Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	98
15	IDX Impressions Building Reuse Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	99
16	Municipal Pier Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	100
17	Fire Station 1 Exhaust System Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	101
18	Washington Downtown Properties Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	102
19	Trillium Health Resources Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	103
20	New Age Properties - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	104
21	Financial and Utility Software Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	105
	Nonmajor Permanent Funds:	
22	Combining Balance Sheet	106
23	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	107
24	Library Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	108
25	Cemetery Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	109

CITY OF WASHINGTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Major Enterprise Funds:	
26	Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	110-112
27	Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	113-115
28	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	116-119
29	Stormwater Utility Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	120-121
30	Water Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	122
31	EDA Water System Improvements - Water Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	123
32	Sewer Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	124
33	EDA Sewer System Improvements - Sewer Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	125
34	CWSRF Sewer Grant - Sewer Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	126
35	Recovery Zone Bond - Stormwater Projects - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	127
	Nonmajor Enterprise Funds:	
36	Combining Statement of Fund Net Position	128
37	Combining Statement of Revenues, Expenditures and Changes in Fund Net Position	129
38	Combining Statement of Cash Flows	130
39	Warren Field Airport Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	131-132
40	Airport Terminal Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	133
41	Airport Rehabilitation - Warren Field Airport Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	134

CITY OF WASHINGTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page(s)</u>
	Nonmajor Enterprise Funds (continued):	
42	Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	135-136
43	Cemetery Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	137-138
	Internal Service Funds:	
44	Combining Statement of Fund Net Position	139
45	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	140
46	Combining Statement of Cash Flows	141
47	Workers' Compensation Reserve - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	142
48	Vehicle Replacement Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	143
49	Facility Maintenance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	144
	Additional Financial Data:	
50	Schedule of Ad Valorem Taxes Receivable	145
51	Analysis of Current Tax Levy - City-Wide Levy	146
	Statistical Section (Unaudited):	
<u>Table</u>		
1	Net Position by Component, Last Ten Fiscal Years	147
2	Change in Net Position, Last Ten Fiscal Years	148-150
3	Governmental Activities Tax Revenues by Source, Last Ten Fiscal Years	151
4	Fund Balances, Governmental Funds, Last Ten Fiscal Years	152
5	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	153
6	Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	154

CITY OF WASHINGTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

<u>Table</u>		<u>Page</u>
	Statistical Section (Unaudited) (continued):	
7	Property Tax Rates, Direct and Overlapping Governments Last Ten Fiscal Years	155
8	Principal Property Taxpayers, Current Year and Nine Years Ago	156
9	Property Tax Levies and Collections, Last Ten Fiscal Years	157
10	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	158
11	Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	159
12	Direct and Overlapping Governmental Activities Debt	160
13	Legal Debt Margin Information, Last Ten Fiscal Years	161
14	Demographic and Economic Statistics, Last Ten Fiscal Years	162
15	Principal Employers, Current Year and Five Years Ago	163
16	Full-Time Equivalent City Government Employees by Function, Last Ten Fiscal Years	164
17	Operating Indicators by Function, Last Ten Fiscal Years	165
18	Capital Asset Statistics by Function, Last Ten Fiscal Years	166
	Compliance Section:	
	Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	167-168
	Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act	169-170
	Schedule of Findings, Responses, and Questioned Costs	171-172
	Summary Schedule of Prior Audit Findings	173
	Schedule of Expenditures of Federal and State Awards	174

Introductory Section

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December 5, 2016

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Washington:

State Law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Martin Starnes & Associates, CPAs, P.A., have issued an unmodified ("clean") opinion on the City of Washington's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Washington, incorporated in 1782, is located in the eastern part of North Carolina on the northern banks of the Pamlico River. It has been the county seat of Beaufort County since 1785. It has a land area of 7.663 square miles and a population of 9,639. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City has operated under the Council-Manager form of government since May 7, 1952. The City Council is comprised of five (5) council members, elected at large, non-partisan, for a two-year term and a Mayor without voting powers other than to break a tie vote elected for a two-year term. Council members hold policy making and legislative authority. They are responsible, among other things, for passing ordinances, adopting the annual budget,

appointing Board members, Commission members, City Manager, City Clerk and City Attorney. The City Manager is the Chief Executive Officer and is responsible, among other things, for implementing and enforcing policies and ordinances of the City of Washington, for managing daily operations of the government, for appointing all employees including department directors, and for budget development.

The City of Washington provides a full range of services for its citizens. These services include: planning and zoning; the construction and maintenance of streets, curbs, gutters and sidewalks; parks and recreational activities; library services; police; emergency management services; and fire protection. In addition to these general government activities, the City also provides and maintains airport operations, cemeteries, water, sewer, stormwater, solid waste and recycling, and electrical utilities for its citizens and the surrounding areas of Beaufort, Martin, and Pitt counties. These utilities are included in the reporting entity. This report includes all of the City's activities in delivering and administering these services.

The City Council is required to adopt an annual budget by no later than the close of the prior fiscal year. This annual budget serves as the foundation for the City of Washington's financial planning and control. The annual budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may request of the Finance Director or City Manager the transfer of resources within a department (intradepartmental transfers). Transfers between departments (interdepartmental transfers) may be approved by the City Manager; however, he must report the approved transfers to the City Council at their next regular meeting.

Local Economy

The City of Washington continues to serve as the economic, service, and retail center for Beaufort County. The economy is based on medical services, small-scale diverse manufacturing, retail sales, agriculture, service, and eco-tourism. The County has an employed labor force of 19,007, leaving around 1,167 unemployed in the county. The unemployment rate for Beaufort County, which the City of Washington is a part of, is currently 5.7%, which is a decrease of 1.3% from a rate of 7.0%, a year ago. This is higher than the State of North Carolina's average unemployment rate of 5.2% and the national average of 5.1%. During the past fiscal year, Washington's local economy continued to feel the effects of a modest and steady recovery, similar to other rural cities and towns in the country. This is evidenced by a 1.7% decrease of revenues in the areas of property, sales, and occupancy taxes. The prior year included a onetime gain from the implementation of the vehicle tax and tag program. Revenues are equivalent for the two years after adjusting for the onetime benefit. Revenues were conservatively budgeted for fiscal year 2016-2017 and management will be keeping a close eye on actual receipts to ensure that budget shortfalls do not occur in the next fiscal year.

Legislative action taken to repeal the business privilege licenses tax effective July 1, 2015 resulted in a negative impact of \$112,829. The Legislature committed to replace municipalities lost revenue with another source but has yet to develop or communicate the source.

Several new businesses began operation in the City within the past year in addition to several expansions of existing businesses. Southern Pamlico Event Center, Oak Ridge, Start Right Learning Center, Washington High School Field House, Burger King, Fairfield Inn, Eastern Elementary, and US Cellular are examples. New business startups in the Downtown Business District include Contour Kitchen & Bath, Mike's Bail Bonds, Pink Buoy, Cottage Junkies, Heekin Law, The Southern Nest, Bardot, Lemonade Art Gallery & Gifts, Bear Patch, and Miracle Ear.

The Washington Tourism Development Authority worked diligently to follow its mission to enhance the economy of Washington and Beaufort County through the promotion of the area as a destination for leisure and business travel. The Authority continued to support community events through its grant program which continues to be beneficial to the area as a whole. New developments like the Moss Harbor Homes have been added to the marketability of Washington. Their marketing team has added to the efforts of the Authority, particularly in the Triangle area. The most recent economic impact statistics prepared by the North Carolina Department of Commerce show the economic impact of tourism in Beaufort County to be up. Direct visitor spending was estimated at almost \$78 million for Beaufort County, an increase of 3%.

Long-Term Financial Planning

During fiscal year 2015-2016 the City planned \$527,500 of installment note financing for rebuilding of electric distribution infrastructure and vehicles for the Electric Department. Council elected to use operating cash for these capital purchases instead of installment financing.

During fiscal year 2016-2017 the City does not anticipate any additional borrowing debt.

The City's application to the Clean Water State Revolving Fund for a \$2,000,000 loan for the Sanitary Sewer Rehabilitation 2015 project was approved as eligible to receive a low interest/principal forgiveness loan to reduce inflow and infiltration in older sections of the collection system.

Major Initiatives

The Beaufort County Economic Development Department had an active year resulting in the following projects with positive impact on the local economy:

Projects Completed:

- Washington Beaufort County Industrial Park Electricities \$25,000 Smart Sites Grant
- Washington Beaufort County Industrial Park Page Road Extension \$400,000 Industrial Development Fund Grant
- Tavern at Jack's Neck Rural Building Reuse \$80,000 grant (8 jobs, \$80,000 investment)
- East Carolina Chrysler, Dodge, Jeep Dealership project training and apprenticeship program (35 jobs, \$4 million investment)

Projects Underway:

- Washington Hotel Project \$100,000 Rural Infrastructure Grant (20 jobs, \$6.8 million investment)
- Oakridge Industries Expansion \$320,000 Rural Building Reuse Grant (32 jobs, \$1.4 million investment)
- Hysucat RIB Manufacturing facility renovation (14 jobs, \$500,000 investment)
- Washington Beaufort County Industrial Park 35KVA electric line extension \$100,000 Rural Infrastructure Grant

The Washington Beaufort Industrial Park Skills Training Center operates a core Curriculum NCCER (National Center for Construction Education and Research) for the following specializations:

- Fork lift operation
- HVAC maintenance and repair
- Industrial maintenance
- Welding, MIG & TIG

The City completed work on EDA grant projects of \$722,000 for water infrastructure improvements and \$720,000 for sewer improvements within Washington and the surrounding area. The City's match was \$706,000 and \$704,000 respectively. The water projects included the addition of a parallel 16" water line at the water treatment plant and the installation of a liquid chlorine dispenser. The sewer projects included installation of a generator at the Cherry Run lift station, a generator at the waste water treatment plant, and a rebuild of the Water and Bonner lift station.

Construction of an inclusive playground at the Havens Garden park was completed during the year through the assistance of a \$280,556 Trillium Health Resources grant and private donations.

Downtown waterfront improvements and upgrades continue to be a major City initiative. The City was awarded a \$120,000 Public Access Grant for the construction of a municipal pier at the waterfront. The City provided a \$15,000 match for this project that was completed during the year.

The City is assisting a local developer building a \$6.8 million flagship hotel through a \$100,000 NC Rural Economic Development publicly owned infrastructure improvement grant. The hotel is scheduled for completion in calendar year 2017.

A way finding signage project for the City is under way with the completion of Phase 1 at a cost of \$150,000 planned for fiscal year 2017.

The City is continuing an aggressive load management switch installation program to reduce residential energy costs. 612 switches were installed this fiscal year. 4,065 switches have been installed since October 2010 resulting in residential customers saving approximately \$176,945 per year on their electric bills.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Washington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This was the twentieth consecutive year (fiscal years ended 1996-2015) that the City has received this prestigious national award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to thank our independent auditors, Martin Starnes & Associates, CPAs, P.A., for their extensive assistance provided. Credit must also be given to the Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully Submitted,



Bobby E. Roberson
City Manager



Matthew J. Rauschenbach
Chief Financial Officer

**CITY OF WASHINGTON, NORTH CAROLINA
PRINCIPAL OFFICERS
JUNE 30, 2016**

ELECTED OFFICIALS

Title	Name	Total Length Of Service	Term Expires
Mayor	Jay MacDonald Hodges	2.5 years	December, 2017
Mayor Pro-Tem	Virginia Finnerty	6 months	December, 2017
Councilperson	Larry Beeman	2.5 years	December, 2017
Councilperson	William H. Pitt	7 years	December, 2017
Councilperson	Douglas G. Mercer	9 years	December, 2017
Councilperson	Richard L. Brooks	5 years	December, 2017

The Mayor and Council serve 2 year terms.

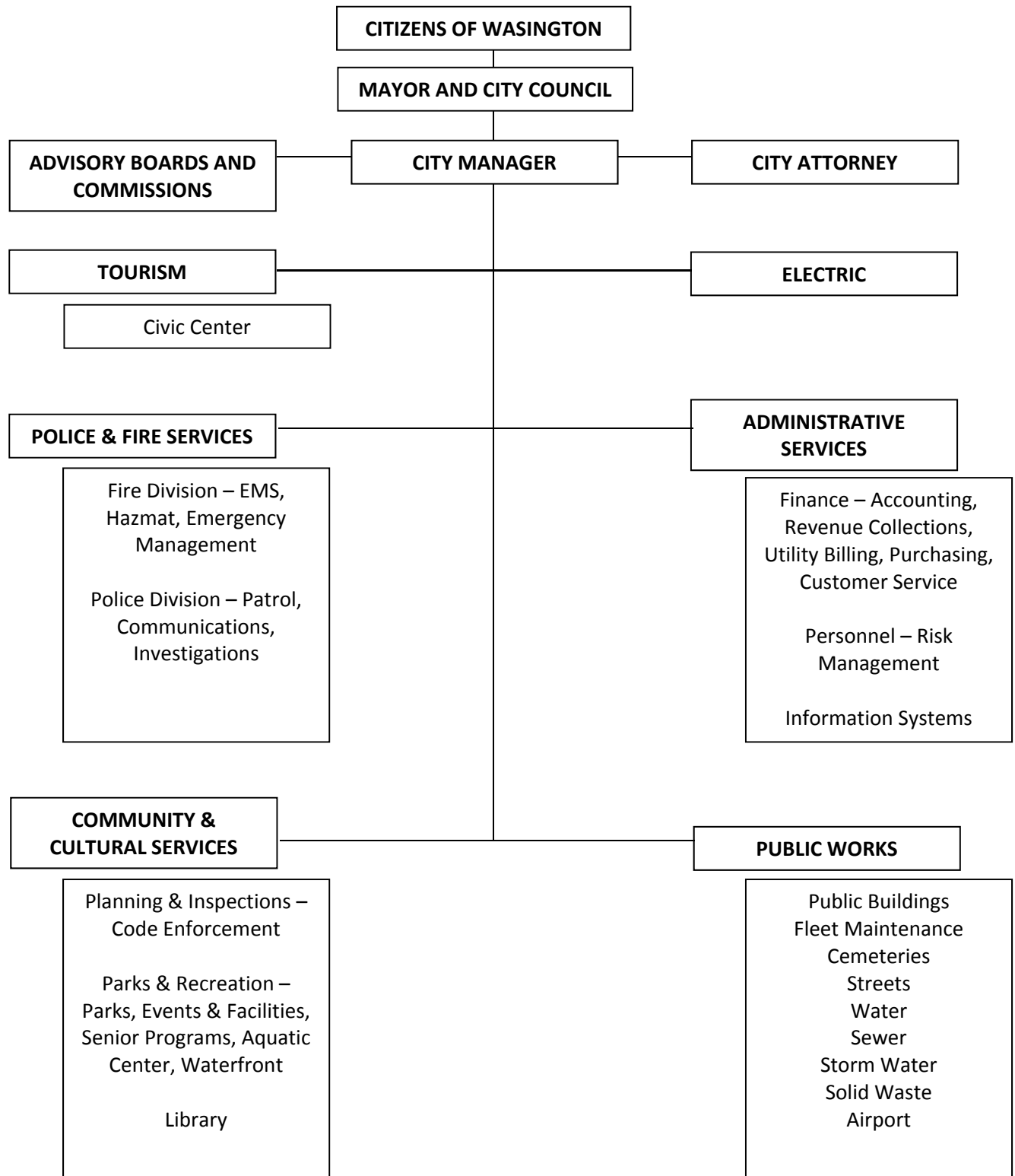
APPOINTED OFFICIALS

Title	Name	Total Length Of Service	Length of Employment with the City of Washington
City Attorney	Franz Holscher	10 years	10 years
City Clerk	Cynthia Bennett	8 years	17 years
City Manager	Bobby E. Roberson	1 year	21 years

DEPARTMENT HEADS

Title	Name	Total Length Of Service	Length of Employment with the City of Washington
Community & Cultural Services Director	John D. Rodman	7 years	15 years
Interim Electric Director	Jeffrey Clark	7 months	7 months
CFO/Administrative Services Director	Matthew J. Raschenbach	7 years	7 years
Fire Chief	Robert C. Rose	7 years	27 years
Library Director	Sandra Silvey	6 months	6 months
Human Resources Director	Stacey Christini	1 year	1 year
Police & Fire Services Director	Stacy L. Drakeford	4 years	4 years
Public Works Director	Dodge F. Buck	8 months	29 years
Tourism Director	Lynn Wingate	13 years	13 years

CITY OF WASHINGTON ORGANIZATION CHART 2015-2016





Government Finance Officers Association

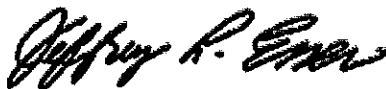
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Achievement
for Excellence
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Reporting**

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**City of Washington
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

Financial Section

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and
Members of the City Council
City of Washington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Washington, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Washington Tourism Development Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it related to the amounts included for the City of Washington Tourism Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Washington Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Washington, North Carolina as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the City of Washington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* in considering the City of Washington's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 5, 2016

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Management's Discussion and Analysis

As management of the City of Washington, we offer readers of the City of Washington's financial statements this narrative overview and analysis of the financial activities of the City of Washington for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

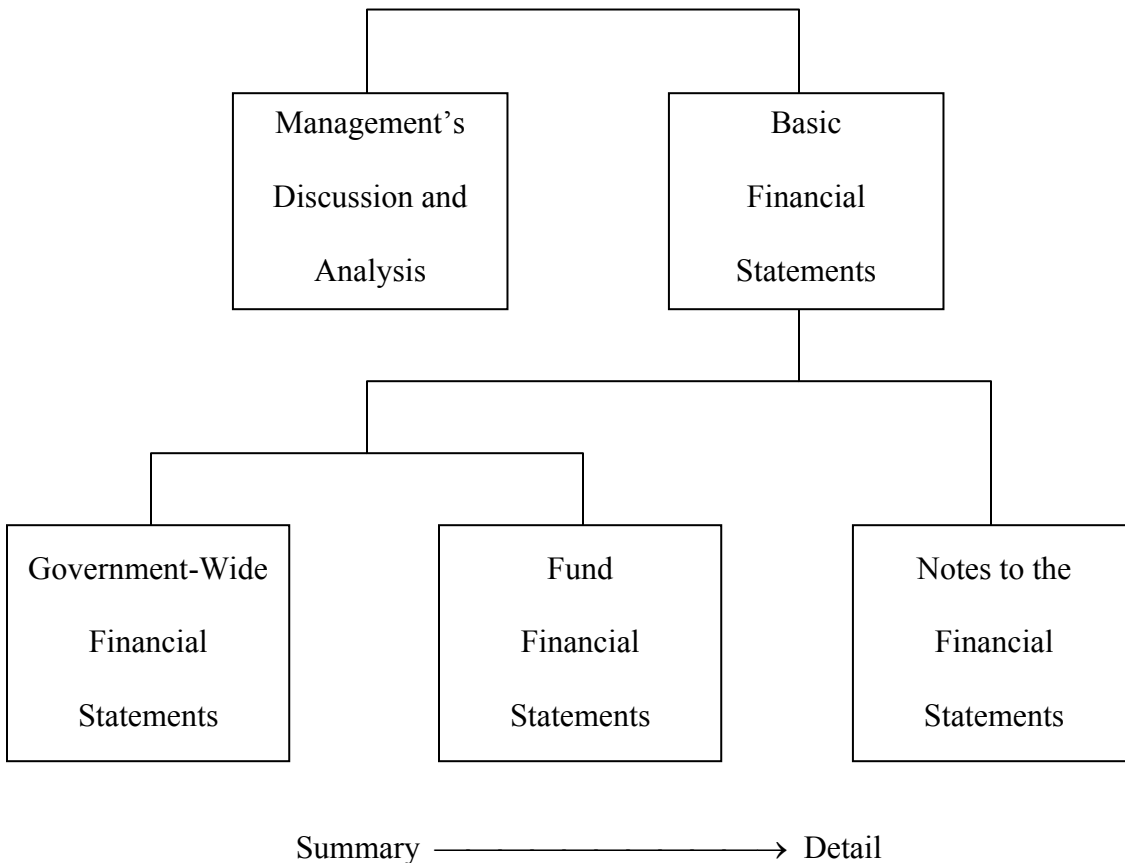
- The assets and deferred outflows of the City of Washington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$111,685,903 (*net position*). Of this amount, \$22,806,085 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$8,304,688, an increase of 8.03 %. Of this amount, governmental net position increased by \$1,120,149, while business-type net position grew by \$7,184,539.
- As of the close of the current fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$9,403,051, an increase of \$731,806. Approximately 31.63% of this total amount, or \$2,974,626, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,261,097, or 45.52%, of total General Fund expenditures for the fiscal year.
- The City of Washington's total debt increased by \$952,736, or 12.42%, during the current fiscal year.
- The City currently has an A1 with no outlook rating from Moody's Investor Services and A+ with a stable outlook rating by Standard & Poor's Corporation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Washington's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. This report also contains other supplementary information, in addition to the basic financial statements that will enhance the reader's understanding the financial condition of the City of Washington.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements. The first two statements in the basic financial statements are the *government-wide financial statements*. They provide both short and long-term information about the City's financial status.

The next statements are *fund financial statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the *notes*. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, *supplemental information* is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Washington's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units, including general government, public safety, transportation, economic and physical development, environmental protection, cultural and recreational, special revenues, and capital projects. Property taxes and State and federal grant funds finance most of these activities. The business-type activities of the City of Washington include water, sewer, electric, storm water utilities, solid waste, airport operations, and cemetery operations. The final category is the component unit. The government-wide financial statements include not only the City of Washington itself (known as the *primary government*), but also a legally separate entity, the Washington Tourism Development Authority for which the City is financially accountable. The Washington Tourism Development Authority is considered a component unit of the City because the City exercises control over the Board by appointing its members and because the Board is required to expend the local occupancy taxes promoting travel and tourism for the City. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements. The fund financial statements provide a more detail look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Washington, like other State and local governments in North Carolina, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the City's budget ordinance. All of the funds of the City of Washington can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Washington maintains nineteen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, and the other governmental funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Washington adopts an annual appropriated budget for its general fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balance in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the difference in the reported activities is shown at the end of the budgetary statement.

The basic governmental fund financial statements can be found on pages 19-23 of this report.

Proprietary Funds. The City of Washington has two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Washington uses enterprise funds to account for its water utilities, sewer utilities, storm water utilities, electric utilities, airport operations, solid waste utilities, and cemetery operations. Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, storm water, and electric utilities, which are considered to be major funds of the City of Washington. The airport operations, solid waste utility, and cemetery operations are considered to be nonmajor proprietary funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Washington operations. The City uses internal service funds to account for three activities – its workers' compensation reserve, vehicle replacement, and facility maintenance. These operations benefit both governmental and proprietary funds and have been included within the governmental activities in the government-wide statements.

The basic proprietary fund financial statements can be found on pages 24-26 this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-69 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Washington's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 70-73 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 74-144 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Figure 2

City of Washington's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 12,393,339	\$ 13,069,485	\$ 21,717,777	\$ 19,031,525	\$ 34,111,116	\$ 32,101,010
Capital assets, net	20,311,778	19,326,043	72,327,050	69,716,504	92,638,828	89,042,547
Total assets	<u>32,705,117</u>	<u>32,395,528</u>	<u>94,044,827</u>	<u>88,748,029</u>	<u>126,749,944</u>	<u>121,143,557</u>
Deferred Outflows of Resources	<u>369,839</u>	<u>442,465</u>	<u>226,675</u>	<u>271,188</u>	<u>596,514</u>	<u>713,653</u>
Liabilities and Deferred Inflows of Resources:						
Long-term liabilities	4,932,019	4,479,847	6,253,886	6,608,127	11,185,905	11,087,974
Other liabilities	794,794	729,601	3,132,767	3,852,377	3,927,561	4,581,978
Deferred inflows of resources	339,195	1,739,746	207,894	1,066,297	547,089	2,806,043
Total liabilities and deferred inflows of resources	<u>6,066,008</u>	<u>6,949,194</u>	<u>9,594,547</u>	<u>11,526,801</u>	<u>15,660,555</u>	<u>18,475,995</u>
Net Position:						
Net investment in capital assets	18,512,443	17,321,458	67,569,334	64,211,080	86,081,777	81,532,538
Restricted	2,798,041	2,373,009	-	-	2,798,041	2,373,009
Unrestricted	5,698,464	6,194,332	17,107,621	13,281,336	22,806,085	19,475,668
Total net position	<u>\$ 27,008,948</u>	<u>\$ 25,888,799</u>	<u>\$ 84,676,955</u>	<u>\$ 77,492,416</u>	<u>\$ 111,685,903</u>	<u>\$ 103,381,215</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Washington exceeded liabilities and deferred inflows by \$111,685,903 as of June 30, 2016. This is an increase in the City's net position of \$8,304,688 for the fiscal year. By far, the largest portion (77.07%) reflects its net investment in capital assets (e.g., land, buildings, systems, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Washington's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Washington's net position, \$2,798,041, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$22,806,085 may be used to meet the government's ongoing obligations to citizens and creditors.

The governments net capital assets increased by \$3,596,281 during the fiscal year. This increase of .04% is primarily attributable to the additional capital investment in the City's utility systems, streets, parks, drainage system, and airport facility.

Figure 3**City of Washington's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for service	\$ 1,344,198	\$ 1,039,350	\$ 42,708,740	\$ 44,940,438	\$ 44,052,938	\$ 45,979,788
Operating grants and contributions	424,848	450,632	-	-	424,848	450,632
Capital grants and contributions	873,879	311,964	1,882,094	873,974	2,755,973	1,185,938
General revenues:						
Property taxes	4,345,971	4,331,693	-	-	4,345,971	4,331,693
Other taxes	2,686,421	2,039,380	-	-	2,686,421	2,039,380
Unrestricted intergovernmental	2,059,167	2,046,278	-	-	2,059,167	2,046,278
Other	56,520	843,359	137,399	137,291	193,919	980,650
Total revenues	<u>11,791,004</u>	<u>11,062,656</u>	<u>44,728,233</u>	<u>45,951,703</u>	<u>56,519,237</u>	<u>57,014,359</u>
Expenses:						
General government	1,494,759	2,130,313	-	-	1,494,759	2,130,313
Public safety	6,000,378	5,683,135	-	-	6,000,378	5,683,135
Transportation	954,178	925,821	-	-	954,178	925,821
Environmental protection	656,104	637,164	-	-	656,104	637,164
Cultural and recreation	2,695,627	2,392,859	-	-	2,695,627	2,392,859
Economic and physical development	(158,340)	38,316	-	-	(158,340)	38,316
Interest on long-term debt	48,440	53,203	-	-	48,440	53,203
Water	-	-	3,219,750	3,063,667	3,219,750	3,063,667
Sewer	-	-	3,132,989	3,046,950	3,132,989	3,046,950
Electric	-	-	27,838,189	34,903,483	27,838,189	34,903,483
Storm water	-	-	383,638	422,292	383,638	422,292
Airport	-	-	396,621	414,818	396,621	414,818
Solid waste	-	-	1,236,236	1,201,615	1,236,236	1,201,615
Cemetery	-	-	315,980	273,134	315,980	273,134
Total expenses	<u>11,691,146</u>	<u>11,860,811</u>	<u>36,523,403</u>	<u>43,325,959</u>	<u>48,214,549</u>	<u>55,186,770</u>
Change in net position before transfers	99,858	(798,155)	8,204,830	2,625,744	8,304,688	1,827,589
Transfers	<u>1,020,291</u>	<u>482,067</u>	<u>(1,020,291)</u>	<u>(482,067)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,120,149</u>	<u>(316,088)</u>	<u>7,184,539</u>	<u>2,143,677</u>	<u>8,304,688</u>	<u>1,827,589</u>
Net position, July 1	25,888,799	27,005,622	77,492,416	75,964,517	103,381,215	102,970,139
Restatement	-	(800,735)	-	(615,778)	-	(1,416,513)
Beginning of year - July 1, as restated	<u>25,888,799</u>	<u>26,204,887</u>	<u>77,492,416</u>	<u>75,348,739</u>	<u>103,381,215</u>	<u>101,553,626</u>
Net position, June 30	<u>\$ 27,008,948</u>	<u>\$ 25,888,799</u>	<u>\$ 84,676,955</u>	<u>\$ 77,492,416</u>	<u>\$ 111,685,903</u>	<u>\$ 103,381,215</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,120,149, or 1.08%. This increase is due to the transfers out of the General Fund decreasing. The Vehicle Replacement Fund had a \$1,233,937 transfer in last fiscal year, to establish the fund, that was not included in 2016.

Business-Type Activities. Business-type activities increased the City of Washington's net position by \$7,148,539, or 6.95%. Revenues exceeded expenses by \$8,204,830 before transfers out. The net transfers out of the business-type activities totaled \$1,020,291 for the year. Of this amount, \$654,281 is the annual dividend payment from the electric utility customers to the taxpayers of the City of Washington.

Financial Analysis of the Government's Funds

As noted earlier, the City of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Washington's *governmental funds* is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Washington's financing requirements.

The General Fund is the chief operating fund of the City of Washington. At the end of the current fiscal year, the City's fund balance available in the General Fund totaled to \$5,609,344, while total fund balance increased to \$7,269,872. The governing body of the City of Washington has determined that the City should maintain an available fund balance equal to 2 months operating expenses plus an additional \$2,000,000 in case of natural disaster recovery. The City currently has an available fund balance of 47.53% of General Fund expenditures and transfers out, less long-term debt issued, while total fund balance represents 61.60% of the same amount.

As of the end of the fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$9,403,051, an increase of \$731,806, in comparison with the prior year. Approximately 54.28% of this total amount, or \$5,103,954, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either classified as restricted (by State statute or granting agencies), non-spendable such as notes receivables, the Cemetery and Library Non-Expendable Trust Fund balances, prepaid expenses and inventory, committed for items such as economic development capital grants, recreation capital grants and a police station, or assigned for downtown façade improvements.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Differences between the original budgeted revenues and the final amended budgeted revenues for the General Fund amounted to an \$4,179 increase and are summarized as follows:

- \$4,179 increase in restricted intergovernmental
- The difference between the original budgeted expenditures and the final amended appropriations for the General Fund amounted to a \$507,688 increase and are summarized as:
 - \$247,092 in increases allocated to general government
 - \$17,571 in decreases allocated to public safety
 - \$114,932 in increases allocated to transportation
 - \$2,500 in increases allocated to environmental protection
 - \$125,308 in increases allocated to cultural and recreational
 - \$285 in increases allocated to debt service

Transfers and the appropriation of fund balance rebalanced the General Fund budget as follows:

- \$61,876 increase in transfer to other funds of which \$56,876 was transferred to Capital Project Funds and \$5,000 to other funds.
- \$565,385 increase in appropriated fund balance to cover the following appropriations during the fiscal year: \$75,000 for the CDBG claw back of the Keys Landing project, \$55,716 for the CDBG claw back of the affordable housing project, \$142,000 for real property acquisition, \$73,900 for legal expenses, and \$136,646 for purchase orders and projects from prior year.

During the year, actual revenues came in 4.7%, or \$501,395, higher than budgetary estimates in the General Fund while expenditures were 6.7%, or \$828,091, less than budgetary appropriations. Originally, \$923,667 in fund balance was anticipated to be needed; however, none was actually used. As mentioned previously the drawdown of fund balance was used to establish a vehicle replacement internal service fund and a facility maintenance internal service fund. As with most years, several projects had not been completed at the end of the fiscal year and funding for those projects will need to be appropriated for spending in the FY 16/17 budget since the government has issued purchase orders and committed itself to completing the projects.

Proprietary Funds. The City of Washington's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

Six enterprise funds saw increases in their net position at the close of the fiscal year on the full accrual basis of accounting, Water Fund, Sewer Fund, Electric Fund, Storm Water Fund, Washington-Warren Airport Fund, and the Solid Waste Fund. The Cemetery Fund had a negative change in net position on the full accrual basis of accounting. Two of the seven enterprise funds experienced losses on the budgetary basis of accounting, including the Cemetery and Airport Fund. The drawdown of fund balance was fully anticipated in the Cemetery Fund was required to use fund balance in the amount of \$134,951 due to the purchase of capital items. The Airport Fund was required to use fund balance in the amount of \$66,397 due to fuel purchases being higher than anticipated as well as 12% decrease in hangar rental revenue when compared to the amount budgeted.

Capital Asset and Debt Administration

Capital Assets. The City of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$92,638,828 (net of accumulated depreciation). This investment in capital assets includes land, buildings, distribution systems, drainage systems, substations, infrastructure, improvements, office furniture and machines, machinery and equipment, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$3,596,281 or (.04%) overall. This is represented by a 5.10% increase for governmental activities and a 3.74% increase for business-type activities.

- Major capital asset events during the current fiscal year included the following:
- The airport completed several improvement projects including the airport terminal project totaling \$1,225,527 and the approach survey and analysis project totaling \$24,268. The airport runway rehab continues with expenses currently amounting to \$443,939 at year end.
- Electric system improvement projects continued throughout this year, including a line rebuild along 2nd and 5th streets and several other projects to improve our electrical system.
- In the Water and Sewer divisions there are two EDA grant projects that continue with a project total of \$2,180,022 at year end along with a new Hotel Project for both divisions. The City was awarded \$100,000 for the Hotel Project with a match of \$5,000 for water and sewer infrastructure. The Sewer division also has a new Sewer Rehabilitation Project that started this year with a current project total at \$165,333.
- A public pier was constructed on the City's waterfront. The project totaled \$135,000 at completion.

Figure 4
City of Washington's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,232,820	\$ 5,173,034	\$ 1,649,782	\$ 1,649,782	\$ 6,882,602	\$ 6,822,816
Buildings	5,751,556	5,337,851	5,215,398	4,219,778	10,966,954	9,557,629
Infrastructure	6,244,011	6,335,971	-	-	6,244,011	6,335,971
Plants, substations, lines drainage, and runways	-	-	52,387,392	52,764,249	52,387,392	52,764,249
General and mobile equipment	1,035,518	1,576,782	4,170,359	4,169,304	1,063,488	5,746,086
Furniture and office equipment	1,577,603	369,038	27,970	28,086	1,605,573	397,124
Construction in progress	470,270	533,367	8,876,149	6,885,305	9,346,419	7,418,672
Capital assets, net	<u>\$20,311,778</u>	<u>\$ 19,326,043</u>	<u>\$ 72,327,050</u>	<u>\$ 69,716,504</u>	<u>\$ 92,638,828</u>	<u>\$ 89,042,547</u>

Additional information on the City's capital assets can be found in note 5 on pages 42-47 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Washington had total debt outstanding of \$6,717,351.

Figure 5
City of Washington's Outstanding Debt
General Obligation, Installment Notes, RZEDB, and Revolving Loan Fund

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Installment notes	\$ 1,774,000	\$ 1,976,583	\$ 161,428	\$ 407,078	\$ 1,935,428	\$ 2,383,661
Recovery Zone EDB	25,335	28,002	3,166,665	3,499,998	3,192,000	3,528,000
Revolving Loan Fund	-	-	1,589,923	1,758,426	1,589,923	1,758,426
Total	<u>\$ 1,799,335</u>	<u>\$ 2,004,585</u>	<u>\$ 4,918,016</u>	<u>\$ 5,665,502</u>	<u>\$ 6,717,351</u>	<u>\$ 7,670,087</u>

The City's total debt increased by \$952,736, or 12.42%, during the current fiscal year. The City's was approved or a \$2,000,000 loan from the Clean Water State Revolving Loan Fund and will allow the City to make improvements to older sections of its collection system, improving inflow and filtration.

The City currently has an A1 with no outlook rating from Moody's Investor Services and A+ with a stable outlook rating by Standard & Poor's Corporation.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% of its total assessed valuation. The current debt limitation for the City of Washington is \$68,686,224. The City's legal debt margin is \$61,968,873.

Additional information on the City of Washington's long-term debt can be found in note 11 on pages 60-66 of this report.

Economic Factors and Next Year's Budgets and Rates

Due to current economic factors and conservative budgeting measures, many General Fund revenues such as sales tax, Powell Bill funds, building permits, and other sales and service revenues are expected to remain relatively flat for FY 16/17 when compared to the current year. The original General Fund budget for FY 16/17 totals \$15,205,007, an increase of \$704,359 or 4.86% when compared to the FY 15/16 original budget of \$14,500,648. The increase is primarily due to a \$.02 property tax increase to provide funding for a new police station, sales tax growth, utility franchise tax growth, and transfers from enterprise funds. Estimated revenues were not sufficient to cover budgeted expenditures, requiring an appropriation of fund balance in the amount of \$92,241 to balance the General Fund.

The City experienced lost revenue of approximately \$120,000 as a result of the state legislature repealing the privilege license tax. The promised replacement revenue source by the State has not yet been announced.

The City completed an analysis that calculated the true cost of certain governmental services and determined the amounts being covered by user fees and the costs being subsidized by City taxpayers. As part of the analysis, the City attempted to identify the different groups utilizing facilities and services in an effort to receive additional outside funding from the County for benefits received by County residents using City assets and services. As a result of the study, multiple City user fees were adjusted in the areas of recreation, inspections, and cemeteries. Requests for County funding of these services were made and resulted in an increase of \$20,000 for Senior programs. Contingency in the amount of \$63,296 is currently budgeted in FY 16/17, and significant fund balance is available for emergency items that may arise during the year.

Budget Highlights for the Fiscal Year Ending June 30, 2017

The following factors were also considered when preparing the City of Washington's budget for the 16/17 fiscal year:

The unemployment rate for Beaufort County, of which the City of Washington is a part, is currently 5.7%, a 1.3% decrease from a rate of 7.0% in 2015. This compares unfavorably to the State's average unemployment rate of 5.2% and the national average rate of 5.1%.

The median household income for the City of Washington is \$39,269, or 19%, below North Carolina's household income average of \$46,556.

19.9% of Beaufort County residents live below the poverty level.

Ad valorem tax collections are expected to remain above 97%.

Retail sales are expected to remain relatively flat in fiscal year 16/17 when compared to 15/16.

The transfer of the dividend payment to the General Fund from the Electric Fund is likely to continue to increase over the coming years.

The property tax increased \$.02 to the rate of \$0.52 per \$100 valuation for fiscal year 16-17 with \$.01926 of this rate continuing to be allocated toward public safety debt and \$.02 to the Police Station Capital Project Fund.

On July 1, 2016 water rates increased by 0.5%, sewer rates increased by 2%, and residential sanitation and storm water rates were raised by \$0.50 per month.

Requests for Information

This financial report is designed to provide a general overview of the City of Washington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer, P.O. Box 1988, Washington, North Carolina 27889.

Basic Financial Statements

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CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tourism Development Authority
Assets:				
Current assets:				
Cash and investments	\$ 10,146,893	\$ 13,579,534	\$ 23,726,427	\$ 246,884
Taxes receivable, net	178,502	-	178,502	-
Accounts receivable, net	1,678,076	6,288,515	7,966,591	53,314
Notes receivable	193,739	105,302	299,041	-
Inventories	77,837	1,012,843	1,090,680	-
Prepaid items	99,148	-	99,148	-
Internal balances	16,934	(16,934)	-	-
Restricted cash and investments	2,210	748,517	750,727	-
Security deposits	-	-	-	75
Total current assets	12,393,339	21,717,777	34,111,116	300,273
Non-current assets:				
Capital assets:				
Non-depreciable	5,703,090	10,525,931	16,229,021	-
Depreciable, net	14,608,688	61,801,119	76,409,807	-
Total non-current assets	20,311,778	72,327,050	92,638,828	-
Total assets	32,705,117	94,044,827	126,749,944	300,273
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	369,839	226,675	596,514	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	791,084	2,544,550	3,335,634	81,630
Advances from grantors	1,500	-	1,500	-
Liabilities payable from restricted assets:				
Customer deposits	2,210	588,217	590,427	-
Current portion of long-term liabilities	653,848	944,173	1,598,021	-
Total current liabilities	1,448,642	4,076,940	5,525,582	81,630
Long-term liabilities:				
Due in more than one year	3,755,001	4,989,061	8,744,062	-
Net pension liability	523,170	320,652	843,822	-
Total long-term liabilities	4,278,171	5,309,713	9,587,884	-
Total liabilities	5,726,813	9,386,653	15,113,466	81,630
Deferred Inflows of Resources:				
Pension deferrals	339,195	207,894	547,089	-
Net Position:				
Net investment in capital assets	18,512,443	67,569,334	86,081,777	-
Restricted for:				
Stabilization for State statute	1,642,508	-	1,642,508	53,389
Permanently restricted for perpetual maintenance	549,754	-	549,754	-
General government	112,047	-	112,047	-
Public safety	43,068	-	43,068	-
Cultural and recreation	42,511	-	42,511	-
Economic and physical development	408,153	-	408,153	-
Tourism promotion	-	-	-	165,254
Unrestricted	5,698,464	17,107,621	22,806,085	-
Total net position	\$ 27,008,948	\$ 84,676,955	\$ 111,685,903	\$ 218,643

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
Expenses			Capital Grants and Contributions
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ 1,494,759	\$ 282,085	\$ 34,311
Public safety	6,000,378	760,965	353,928
Transportation	954,178	35,895	-
Environmental protection	656,104	-	-
Cultural and recreation	2,695,627	265,253	36,609
Economic and physical development	(158,340)	-	-
Interest on long-term debt	48,440	-	-
Total governmental activities	11,691,146	1,344,198	424,848
Business-Type Activities:			
Water	3,219,750	3,311,991	-
Sewer	3,132,989	3,282,101	-
Electric	27,838,189	33,751,350	-
Stormwater Utility	383,638	589,980	-
Warren Field Airport	396,621	240,484	-
Solid waste	1,236,236	1,328,604	-
Cemetery	315,980	204,230	-
Total business-type activities	36,523,403	42,708,740	-
Total primary government	\$ 48,214,549	\$ 44,052,938	\$ 424,848
Component Unit:			
Tourism Development Authority	\$ 417,006	\$ 164,309	\$ 40,000

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (1,178,363)	\$ -	\$ (1,178,363)	\$ -
Public safety	(4,877,794)	-	(4,877,794)	-
Transportation	(737,547)	-	(737,547)	-
Environmental protection	(656,104)	-	(656,104)	-
Cultural and recreation	(2,060,713)	-	(2,060,713)	-
Economic and physical development	510,740	-	510,740	-
Interest on long-term debt	(48,440)	-	(48,440)	-
Total governmental activities	(9,048,221)	-	(9,048,221)	-
Business-Type Activities:				
Water	-	861,553	861,553	-
Sewer	-	896,386	896,386	-
Electric	-	5,913,161	5,913,161	-
Stormwater Utility	-	206,342	206,342	-
Warren Field Airport	-	209,371	209,371	-
Solid waste	-	92,368	92,368	-
Cemetery	-	(111,750)	(111,750)	-
Total business-type activities	-	8,067,431	8,067,431	-
Total primary government	(9,048,221)	8,067,431	(980,790)	-
Component Unit:				
Tourism Development Authority	-	-	-	(212,697)
General Revenues:				
Taxes:				
Ad valorem taxes	4,345,971	-	4,345,971	-
Local option sales tax	2,330,383	-	2,330,383	-
Utility franchise tax	1,284,505	-	1,284,505	-
Local occupancy tax	259,553	-	259,553	251,766
Other taxes and licenses	871,147	-	871,147	-
Interest earnings	56,520	137,399	193,919	429
Miscellaneous	-	-	-	2,232
Total general revenues	9,148,079	137,399	9,285,478	254,427
Transfers	1,020,291	(1,020,291)	-	-
Total general revenues and transfers	10,168,370	(882,892)	9,285,478	254,427
Change in net position	1,120,149	7,184,539	8,304,688	41,730
Net Position:				
Beginning of year - July 1	25,888,799	77,492,416	103,381,215	176,913
End of year - June 30	\$ 27,008,948	\$ 84,676,955	\$ 111,685,903	\$ 218,643

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 6,265,591	\$ 1,962,799	\$ 8,228,390
Taxes receivable, net	178,502	-	178,502
Accounts receivable, net	1,518,157	158,565	1,676,722
Notes receivable, net	-	193,739	193,739
Due from other funds	16,934	-	16,934
Inventories	77,837	-	77,837
Prepaid items	98,748	-	98,748
Restricted cash and investments	2,210	-	2,210
Total assets	<u>\$ 8,157,979</u>	<u>\$ 2,315,103</u>	<u>\$ 10,473,082</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 453,053	\$ 180,424	\$ 633,477
Advances from grantors	-	1,500	1,500
Liabilities payable from restricted assets:			
Customer deposits	2,210	-	2,210
Total liabilities	<u>455,263</u>	<u>181,924</u>	<u>637,187</u>
Deferred Inflows of Resources:			
Taxes receivable	178,502	-	178,502
EMS receivable	212,763	-	212,763
Other accounts receivable	41,579	-	41,579
Total deferred inflows of resources	<u>432,844</u>	<u>-</u>	<u>432,844</u>
Fund Balances:			
Non-spendable, not in spendable form:			
Inventories	77,837	-	77,837
Prepaid items	98,748	-	98,748
Perpetual maintenance - library care	-	95,377	95,377
Perpetual maintenance - cemetery care	-	454,377	454,377
Restricted:			
Stabilization by State statute	1,483,943	158,565	1,642,508
Restricted, all other	197,626	408,153	605,779
Committed	2,521	1,147,044	1,149,565
Assigned	148,100	26,806	174,906
Unassigned	5,261,097	(157,143)	5,103,954
Total fund balances	<u>7,269,872</u>	<u>2,133,179</u>	<u>9,403,051</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,157,979</u>	<u>\$ 2,315,103</u>	<u>\$ 10,473,082</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS **JUNE 30, 2016**

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance, governmental funds:	\$ 9,403,051
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	19,034,829
Net pension liability	(523,170)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	369,839
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds.	432,844
Assets and liabilities of the Internal Service Fund used by management to account for workers' compensation claims are included in governmental activities in the Statement of Net Position.	3,039,253
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,408,849)
Pension related deferrals	(339,195)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, are not reported in the funds.	<u>346</u>
Net position of governmental activities, per Exhibit A	<u><u>\$ 27,008,948</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 4,340,445	\$ -	\$ 4,340,445
Other taxes and licenses	2,686,421	-	2,686,421
Unrestricted intergovernmental	2,059,167	-	2,059,167
Restricted intergovernmental	655,238	127,691	782,929
Permits and fees	95,652	-	95,652
Sales and services	1,081,231	-	1,081,231
Investment earnings	36,861	10,536	47,397
Miscellaneous	144,282	515,798	660,080
Total revenues	<u>11,099,297</u>	<u>654,025</u>	<u>11,753,322</u>
Expenditures:			
Current:			
General government	2,129,523	-	2,129,523
Public safety	5,644,347	13,628	5,657,975
Transportation	976,225	-	976,225
Environmental protection	374,367	3,104	377,471
Cultural and recreation	2,180,060	282,951	2,463,011
Economic and physical development	-	207,441	207,441
Debt service:			
Principal retirement	205,250	-	205,250
Interest and fees	48,446	-	48,446
Total expenditures	<u>11,558,218</u>	<u>507,124</u>	<u>12,065,342</u>
Revenues over (under) expenditures	<u>(458,921)</u>	<u>146,901</u>	<u>(312,020)</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,110,945	343,896	1,454,841
Transfers to other funds	(243,896)	(167,119)	(411,015)
Total other financing sources (uses)	<u>867,049</u>	<u>176,777</u>	<u>1,043,826</u>
Net change in fund balances	408,128	323,678	731,806
Fund Balances:			
Beginning of year - July 1	6,861,744	1,809,501	8,671,245
End of year - June 30	<u>\$ 7,269,872</u>	<u>\$ 2,133,179</u>	<u>\$ 9,403,051</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B)
are different due to the following items:

Total net change in fund balances - governmental funds (Exhibit D)	\$ 731,806
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	836,899
Transfers of capital assets from governmental to business type activities are not reflected as transfers in the governmental fund financials as they are not outflows of current financial resources.	(23,535)
Depreciation is recognized as an expense in the Statement of Activities. However, it is not reported in the governmental funds.	(1,087,061)
In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(17,517)
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes and EMS fees	(7,337)
Change in deferred outflow - pension	(72,626)
Change in deferred inflows - pension	1,400,551
Change in net pension liability	(1,222,936)
Principal repayments are expenditures in the fund financial statements. However, it reduces long-term debt in the Statement of Net Position.	205,250
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources, and, therefore, is not reported as an expenditure in the governmental funds.	6
Internal Service Fund	510,901
Expenses related to the increase in vacation and sick pay and the increase in the net pension obligation in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds. This adjustment is the amount of net change in these balances in the current year.	(134,252)
Change in net position of governmental activities	<u>\$ 1,120,149</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance From
	Original	Final	Actual	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 4,363,809	\$ 4,363,809	\$ 4,340,445	\$ (23,364)
Other taxes and licenses	2,561,277	2,561,277	2,686,421	125,144
Unrestricted intergovernmental	1,909,396	1,909,396	2,059,167	149,771
Restricted intergovernmental	732,017	736,196	655,238	(80,958)
Permits and fees	62,500	62,500	95,652	33,152
Sales and services	902,862	902,862	1,081,231	178,369
Investment earnings	36,602	36,602	36,861	259
Miscellaneous	28,050	28,050	144,282	116,232
Total revenues	<u>10,596,513</u>	<u>10,600,692</u>	<u>11,099,297</u>	<u>498,605</u>
Expenditures:				
General government	2,050,392	2,297,484	2,129,523	167,961
Public safety	5,964,954	5,982,525	5,644,347	338,178
Transportation	1,068,916	1,183,848	976,225	207,623
Environmental protection	382,750	385,250	374,367	10,883
Cultural and recreation	2,158,193	2,283,501	2,180,060	103,441
Debt service:				
Principal retirement	204,966	205,251	205,250	1
Interest and fees	48,450	48,450	48,446	4
Total expenditures	<u>11,878,621</u>	<u>12,386,309</u>	<u>11,558,218</u>	<u>828,091</u>
Revenues over (under) expenditures	<u>(1,282,108)</u>	<u>(1,785,617)</u>	<u>(458,921)</u>	<u>1,326,696</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,110,796	1,110,796	1,110,945	149
Transfers to other funds	(186,970)	(248,846)	(243,896)	4,950
Appropriated fund balance	<u>358,282</u>	<u>923,667</u>	<u>-</u>	<u>(923,667)</u>
Total other financing sources (uses)	<u>1,282,108</u>	<u>1,785,617</u>	<u>867,049</u>	<u>(918,568)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	408,128	<u>\$ 408,128</u>
Fund Balance:				
Beginning of year - July 1			<u>6,859,223</u>	
End of year - June 30			<u>\$ 7,267,351</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Major Enterprise Funds				Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Electric Fund	Stormwater Utility Fund			
Assets:							
Current assets:							
Cash and investments	\$ 2,324,090	\$ 2,196,864	\$ 8,049,992	\$ 433,158	\$ 575,430	\$ 13,579,534	\$ 1,918,503
Accounts receivable, net	1,069,328	688,204	4,241,310	78,850	210,823	6,288,515	1,354
Notes receivable	-	105,302	-	-	-	105,302	-
Due from other funds	155,300	-	-	-	-	155,300	-
Inventories	101,920	63,018	828,629	-	19,276	1,012,843	-
Restricted cash and investments	41,953	-	546,264	160,300	-	748,517	-
Total current assets	3,692,591	3,053,388	13,666,195	672,308	805,529	21,890,011	1,919,857
Non-current assets:							
Non-depreciable capital assets	1,269,714	1,242,195	1,392,964	4,910,471	1,710,587	10,525,931	-
Capital assets, net of accumulated depreciation	12,569,777	17,879,955	24,971,826	3,272,503	3,107,058	61,801,119	1,276,949
Total non-current assets	13,839,491	19,122,150	26,364,790	8,182,974	4,817,645	72,327,050	1,276,949
Total assets	17,532,082	22,175,538	40,030,985	8,855,282	5,623,174	94,217,061	3,196,806
Deferred Outflows of Resources:							
Contributions to pension plan in current fiscal year	41,756	41,756	95,442	-	47,721	226,675	-
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	79,135	112,425	2,291,214	14,892	46,884	2,544,550	157,553
Due to other funds	-	155,300	-	-	16,934	172,234	-
Liabilities payable from restricted assets:							
Customer deposits	41,953	-	546,264	-	-	588,217	-
Current portion of installment notes	-	-	89,146	-	7,245	96,391	-
Current portion of revolving loans	-	168,503	-	-	-	168,503	-
Current portion of Recovery Zone Economic Development Bonds	-	-	-	333,333	-	333,333	-
Current portion of compensated absences	78,106	68,888	142,799	-	56,153	345,946	-
Total current liabilities	199,194	505,116	3,069,423	348,225	127,216	4,249,174	157,553
Non-current liabilities:							
Net pension liability	59,067	59,067	135,011	-	67,507	320,652	-
Non-current portion of installment notes	-	-	60,160	-	4,877	65,037	-
Non-current portion of revolving loans	-	1,421,420	-	-	-	1,421,420	-
Non-current portion of Recovery Zone Economic Development Bonds	-	-	-	2,833,332	-	2,833,332	-
Non-current portion of OPEB liability	114,043	129,745	283,241	-	142,243	669,272	-
Total non-current liabilities	173,110	1,610,232	478,412	2,833,332	214,627	5,309,713	-
Total liabilities	372,304	2,115,348	3,547,835	3,181,557	341,843	9,558,887	157,553
Deferred Inflows of Resources:							
Pension deferrals	38,296	38,296	87,534	-	43,768	207,894	-
Net Position:							
Net investment in capital assets	13,839,491	17,532,227	26,215,484	5,176,609	4,805,523	67,569,334	1,276,949
Unrestricted	3,323,747	2,531,423	10,275,574	497,116	479,761	17,107,621	1,762,304
Total net position	\$ 17,163,238	\$ 20,063,650	\$ 36,491,058	\$ 5,673,725	\$ 5,285,284	\$ 84,676,955	\$ 3,039,253

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Enterprise Funds				Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Electric Fund	Stormwater Utility Fund			
Operating Revenues:							
Charges for sales and services	\$ 3,182,839	\$ 3,223,420	\$ 33,214,229	\$ 583,551	\$ 1,760,250	\$ 41,964,289	\$ 484,500
Late penalty charges	22,759	26,261	271,102	4,377	-	324,499	-
Impact fees	4,713	10,566	-	-	-	15,279	-
Other	73,809	10,525	193,689	2,052	6,931	287,006	-
Total operating revenues	3,284,120	3,270,772	33,679,020	589,980	1,767,181	42,591,073	484,500
Operating Expenses:							
Administration	832,757	744,947	2,187,561	83,776	-	3,849,041	-
Wastewater treatment and collection	-	1,686,797	-	-	-	1,686,797	-
Water treatment and distribution	1,686,498	-	-	-	-	1,686,498	-
Electrical operations	-	-	3,004,785	-	-	3,004,785	-
Electric power purchases	-	-	21,543,209	-	-	21,543,209	-
Warren Field Airport operations	-	-	-	-	321,271	321,271	-
Solid Waste operations	-	-	-	-	1,174,311	1,174,311	-
Cemetery operations	-	-	-	-	306,204	306,204	-
Depreciation	700,495	669,868	1,098,738	133,159	146,641	2,748,901	-
Insurance claims	-	-	-	-	-	-	8,549
Vehicle replacement costs	-	-	-	-	-	-	760
Total operating expenses	3,219,750	3,101,612	27,834,293	216,935	1,948,427	36,321,017	9,309
Operating income (loss)	64,370	169,160	5,844,727	373,045	(181,246)	6,270,056	475,191
Non-Operating Revenues (Expenses):							
Rents	20,076	-	-	-	-	20,076	-
Recovery of doubtful accounts	710	-	-	-	-	710	-
Investment earnings	11,941	11,101	41,324	71,635	1,398	137,399	9,123
Sale of surplus and scrap	566	-	23,421	-	-	23,987	-
Assessments	-	7,181	-	-	-	7,181	-
Fines and meters	-	-	11,017	-	-	11,017	-
Solid waste disposal tax	-	-	-	-	6,137	6,137	-
Interest expense	-	(31,377)	(3,896)	(166,703)	(410)	(202,386)	-
Miscellaneous	6,519	4,148	37,892	-	-	48,559	26,587
Total non-operating revenues (expenses)	39,812	(8,947)	109,758	(95,068)	7,125	52,680	35,710
Income (loss) before capital contributions and transfers	104,182	160,213	5,954,485	277,977	(174,121)	6,322,736	510,901
Capital Contributions and Transfers:							
Capital contributions	781,233	758,888	-	-	365,508	1,905,629	-
Transfers out	(122,014)	(90,583)	(831,229)	-	-	(1,043,826)	-
Total contributions and transfers	659,219	668,305	(831,229)	-	365,508	861,803	-
Change in net position	763,401	828,518	5,123,256	277,977	191,387	7,184,539	510,901
Net Position:							
Beginning of year - July 1	16,399,837	19,235,132	31,367,802	5,395,748	5,093,897	77,492,416	2,528,352
End of year - June 30	\$ 17,163,238	\$ 20,063,650	\$ 36,491,058	\$ 5,673,725	\$ 5,285,284	\$ 84,676,955	\$ 3,039,253

The accompanying notes are an integral part of the financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Enterprise Funds				Nonmajor Enterprise Funds		Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Electric Fund	Stormwater Utility Fund		Total	
Cash Flows From Operating Activities:							
Cash received from customers	\$ 2,901,200	\$ 3,103,084	\$ 33,773,506	\$ 563,902	\$ 1,807,484	\$ 42,149,176	\$ 509,861
Cash paid to employees for services	(818,240)	(752,326)	(1,911,331)	-	(793,483)	(4,275,380)	(143,977)
Cash paid to suppliers	(1,728,963)	(1,620,378)	(25,564,195)	(118,190)	(1,020,399)	(30,052,125)	37,129
Net cash provided (used) by operating activities	<u>353,997</u>	<u>730,380</u>	<u>6,297,980</u>	<u>445,712</u>	<u>(6,398)</u>	<u>7,821,671</u>	<u>403,013</u>
Cash Flows From Non-Capital Financing Activities:							
Repayments to/from other funds	-	155,300	-	-	16,934	172,234	-
Payments from other funds	(155,300)	-	-	-	-	(155,300)	-
Transfers to other funds	(122,014)	(90,583)	(831,229)	-	-	(1,043,826)	-
Net cash provided (used) by non-capital financing activities	<u>(277,314)</u>	<u>64,717</u>	<u>(831,229)</u>	<u>-</u>	<u>16,934</u>	<u>(1,026,892)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:							
Interest paid on notes, bonds, and loans	-	(31,377)	(3,896)	(166,703)	(410)	(202,386)	-
Acquisition of capital assets	(1,198,832)	(1,158,578)	(2,393,719)	(39,606)	(545,178)	(5,335,913)	(1,276,949)
Capital contributions	769,313	747,274	-	-	371,645	1,888,232	-
Principal collected on note receivable	-	22,931	-	-	-	22,931	-
Principal payments on long-term debt	-	(168,503)	(220,800)	(333,333)	(24,850)	(747,486)	-
Net cash provided (used) by capital and related financing activities	<u>(429,519)</u>	<u>(588,253)</u>	<u>(2,618,415)</u>	<u>(539,642)</u>	<u>(198,793)</u>	<u>(4,374,622)</u>	<u>(1,276,949)</u>
Cash Flows From Investing Activities:							
Investment earnings	11,941	11,101	41,324	71,635	1,398	137,399	9,123
Net cash provided (used) by investing activities	<u>11,941</u>	<u>11,101</u>	<u>41,324</u>	<u>71,635</u>	<u>1,398</u>	<u>137,399</u>	<u>9,123</u>
Net increase (decrease) in cash and cash equivalents/investments	(340,895)	217,945	2,889,660	(22,295)	(186,859)	2,557,556	(864,813)
Cash and Cash Equivalents/Investments:							
Beginning of year - July 1	<u>2,706,938</u>	<u>1,978,919</u>	<u>5,706,596</u>	<u>615,753</u>	<u>762,289</u>	<u>11,770,495</u>	<u>2,783,316</u>
End of year - June 30	<u>\$ 2,366,043</u>	<u>\$ 2,196,864</u>	<u>\$ 8,596,256</u>	<u>\$ 593,458</u>	<u>\$ 575,430</u>	<u>\$ 14,328,051</u>	<u>\$ 1,918,503</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating income (loss)	\$ 64,370	\$ 169,160	\$ 5,844,727	\$ 373,045	\$ (181,246)	\$ 6,270,056	\$ 475,191
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	700,495	669,868	1,098,738	133,159	146,641	2,748,901	-
Pension expense	(20,054)	(20,054)	(45,836)	-	(22,917)	(108,861)	-
Non-operating (expenses)	27,871	11,329	72,330	-	-	111,530	-
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(404,872)	(179,017)	71,457	(26,077)	40,380	(498,129)	(1,226)
(Increase) decrease in inventories	4,896	(125)	(108,355)	-	4,256	(99,328)	-
(Increase) decrease in deferred outflows of resources for pensions	8,200	8,200	18,742	-	9,371	44,513	-
Increase (decrease) in accounts payable and accrued liabilities	(33,473)	35,520	(614,006)	(34,415)	(18,009)	(664,383)	(70,952)
Increase (decrease) in customer deposits	(5,919)	-	(49,302)	-	-	(55,221)	-
Increase (decrease) in compensated absences payable	4,060	17,193	(32,603)	-	94	(11,256)	-
Increase (decrease) in OPEB liability	8,423	18,306	42,088	-	15,032	83,849	-
Net cash provided (used) by operating activities	<u>\$ 353,997</u>	<u>\$ 730,380</u>	<u>\$ 6,297,980</u>	<u>\$ 445,712</u>	<u>\$ (6,398)</u>	<u>\$ 7,821,671</u>	<u>\$ 403,013</u>
Non-Cash Investing, Capital, and Financing Activities:							
Donated capital assets	<u>\$ 11,920</u>	<u>\$ 11,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,534</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

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Notes to Basic Financial Statements

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CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

The accounting policies of the City of Washington (the "City") and its discretely presented component unit conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation that operates under the mayor-council-manager form of government. Services include economic and physical development, public safety (police and fire), transportation, public works, cultural/recreation, environmental protection, electric, water, sewer, stormwater, airport, general, and administrative services.

As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Washington Tourism Development Authority

The City of Washington Tourism Development Authority (TDA) is governed by members appointed by the City Council of the City. The City is financially accountable for the TDA, as the TDA derives its revenues through a special room tax authorized and collected by the City. Creation of the Tourism Development Authority is required by the State statute to use the funds remitted to promote travel and tourism and shall use the remainder for tourism related expenditures, SL 1991-158. The Tourism Development Authority, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the TDA may be obtained by writing Washington Tourism Development Authority, Post Office Box 1765, Washington, North Carolina 27889.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, transportation, environmental protection, cultural and recreation, and general governmental services. The City has legally adopted an Economic Development Capital Reserve Fund. Under GASB 54 guidance, the Economic Development Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Economic Development Capital Reserve Fund has been included in the supplemental information.

The City reports the following nonmajor governmental funds:

Special Revenue Funds. Special revenue funds account for specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. The City maintains one special revenue fund: the CDBG Program Income Fund.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Capital Project Funds. The City maintains twelve capital project funds: the New Police Station Capital Project Fund, the Public Safety Capital Reserve Fund, the Facade Program Fund, the Pedestrian Project, the Way Finding Fund, the IDX Impressions Building Reuse Grant Fund, the Municipal Peir Grant Fund, the Fire Station 1 Exhaust System Grant, the Washington Downtown Properties Fund, the Trillium Health Resources Grant Fund, the Hotel Project – New Age Properties Fund, and the Financial and Utility Software Project Fund.

Permanent Funds. The permanent funds account for the assets held by the City in a trustee capacity. The interest earned on the investments is used to support the perpetual care and upkeep for the City's two permanent funds: the Library Trust Fund and the Cemetery Trust Fund.

The City reports the following major enterprise funds:

Water Fund. This fund accounts for the operations of the City's water system.

Sewer Fund. This fund accounts for the operations of the City's waste water system.

Electric Fund. This fund accounts for the operations of the City's electric system.

Stormwater Utility Fund. This fund accounts for the operations of the City's stormwater system.

For financial reporting purposes, the Water Capital Reserve Fund and the EDA Water System Improvements Capital Fund have been consolidated with the Water Fund. The Sewer Capital Reserve Fund, the EDA Sewer System Improvements Capital Project Fund, and the CWSRF Sewer Grant Fund have been consolidated with the Sewer Fund. The Recovery Zone Bond Stormwater Projects Fund has been consolidated with the Stormwater Utility Fund.

The City reports the following nonmajor enterprise funds:

The City has three nonmajor enterprise funds: the Warren Field Airport Fund, the Solid Waste Fund, and the Cemetery Fund. For financial reporting purposes, the Airport Terminal Capital Project Fund and the Airport Rehabilitation Capital Project Fund have been consolidated with the Warren Field Airport Fund.

Internal Service Funds. The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The Workers' Compensation Reserve Fund is used to finance and account for the City's Workers' Compensation Insurance Program. The Vehicle Replacement Reserve Fund is used to finance and account for the City's General Fund vehicle replacements. The Facility Maintenance Reserve Fund is used to finance and account for maintenance and rehabilitation of City facilities.

In accordance with the North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the government are recognized as revenue. Sales taxes are considered a shared revenue for the City of Washington because the tax is levied by Beaufort County and then remitted to and distributed by the State. Intergovernmental revenues, sales and services, and fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Licenses, fines, permits, and other revenue are not susceptible to accrual because they are generally not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

Budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Economic Development Capital Reserve Fund, certain special revenue funds, capital project funds, permanent funds, and enterprise funds. The CDBG Program Income Special Revenue Fund has a legally adopted annual budget. Capital project funds that have legally adopted annual budgets are the Facade Program Fund and the Public Safety Capital Reserve Fund. The Water Capital Reserve Fund and the Sewer Capital Reserve Fund have legally adopted annual budgets, which are combined with the enterprise funds in the accompanying financial statements. All appropriations lapse at the fiscal year-end. All other special revenue funds and capital project funds have legally adopted project budgets. The Recovery Zone Bond Enterprise Capital Project Funds, the EDA Water System Improvements Project, the CWSRF Sewer Grant Fund, and the EDA Sewer System Improvements Project legally adopt a project budget. The City's Workers' Compensation Reserve Fund, Vehicle Replacement Reserve Fund, and Facility Maintenance Reserve Fund, internal service funds, operate under a financial plan which were adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, permanent funds, and proprietary funds, and at the object level for the enterprise capital project funds. The City Manager and Finance Director are authorized by budget ordinance to transfer appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund or that change functional appropriations must be approved by the governing board at its next regular meeting. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits

All deposits of the City and the TDA are made in board-designated official depositories and are secured or required by G.S. 159-31. The City and the TDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments

State law [G.S. 159-30(c)] authorizes the City and the TDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the TDA's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The TDA considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Restricted Assets

Restricted assets presented in the accompanying financial statements represent the amounts from installment purchase proceeds that are held in escrow for expenditure in the acquisition and construction of noncurrent assets. For the purposes of reporting cash flows, the City's restricted assets are considered to be cash and/or cash equivalents. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Washington Restricted Cash

Governmental Activities:

General Fund - Customer deposits	\$ 2,210
Total governmental activities	<u>\$ 2,210</u>

Business-Type Activities:

Enterprise Funds:

Water Fund - customer deposits	\$ 41,953
Electric Fund - customer deposits	546,264
Stormwater Utility Fund - unspent debt proceeds	<u>160,300</u>
Total business-type activities	<u>\$ 748,517</u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

Allowance for Uncollectible Accounts

Allowances for doubtful accounts are maintained on all types of receivables that historically experience uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories and Prepaid Items

All fund-type inventories are valued at cost, which approximates market, using the moving average cost method. The costs of these inventories are expensed when consumed rather than when purchased.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and are expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City's capital assets are recorded at original cost or at estimated historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets consist of roads, curbs and gutters, streets and sidewalks, bridges, drainage systems, and lighting systems and are reported at estimated historical cost using deflated replacement costs. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The City's capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The major classifications of depreciable assets are as follows:

Assets	Estimated Useful Lives
Buildings	45 years
Other improvements	45 years
General equipment	5 to 10 years
Office machines	5 to 19 years
Furniture	5 to 19 years
Infrastructure	45 years
Plant and distribution systems	45 to 67 years
Substations, lines, and equipment	45 years
Vehicles	10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

2016 fiscal year. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category – property taxes receivable, EMS receivable, other accounts receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Any unused sick leave accumulated at the time of retirement is used in the determination of length of service for retirement benefit purposes. Upon termination of employment for other than retirement, an employee hired prior to July 1, 1994 is paid for 25% of unused sick leave. For employees hired on or after July 1, 1994, there is no payment for unused sick leave.

The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Perpetual Maintenance – cemetery and library resources that are required to be retained in perpetuity for maintenance of the cemetery and library.

Prepaid Items – portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and is, therefore, not in spendable form.

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Stabilization by State Statute – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for General Government – portion of fund balance that is restricted by revenue source for general government administration.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as police, fire, and E-911.

Restricted for Economic and Physical Development – portion of fund balance restricted by revenue source for economic development purposes.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Restricted for Cultural and Recreational – portion of fund balance restricted by revenue source for use for parks, libraries, arts, and other related activities.

Restricted fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Restricted, all other:		
General government	\$ 112,047	\$ -
Public safety	43,068	-
Economic and physical development	-	408,153
Cultural and recreational	42,511	-
Total	<u>\$ 197,626</u>	<u>\$ 408,153</u>

Committed Fund Balance

This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for General Government – portion of fund balance that has been budgeted by the City Council for financial and utility software.

Committed for Economic Development – portion of fund balance that has been budgeted by the City Council for economic development purposes.

Committed for Public Safety – represents the portion of fund balance committed by the governing body for future public safety capital related purposes.

Committed fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Economic development	\$ 2,521	\$ 129,829
General government	-	150,000
Public safety	-	867,215
Total	<u>\$ 2,521</u>	<u>\$ 1,147,044</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the City of Washington intends to use for specific purposes. The City's governing body approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Officer to transfer appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund or that change functional appropriations must be approved by the governing board at its next regular meeting.

Assigned for Economic and Physical Development – portion of fund balance budgeted by City Council for economic development incentives relating to the Facade Program Fund.

Assigned for Streets – portion of fund balance budgeted by City Council for future street related construction and maintenance expenditures.

Assigned fund balance at June 30, 2016 is as follows:

Purpose	Other	
	General Fund	Governmental Funds
Economic and physical development	\$ -	\$ 26,806
Streets	148,100	-
Total	<u>\$ 148,100</u>	<u>\$ 26,806</u>

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

The City of Washington has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The City has adopted a fund balance policy for the General Fund. It states that the City will maintain an additional \$2,000,000 above the recommended two-month operating reserve provided by the Local Government Commission for similar sized public bodies. However, the excess funds are not restricted for a specific purpose and are available for general appropriation.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 7,269,872
Less:	
Inventories	77,837
Prepaid items	98,748
Stabilization by State statute	<u>1,483,943</u>
Total available fund balance	<u><u>\$ 5,609,344</u></u>

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2016 are detailed as follows:

	General Fund	Other Governmental Funds
Encumbrances	<u><u>\$ 203,194</u></u>	<u><u>\$ -</u></u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds:

A legally budgeted Economic Development Capital Reserve Fund is consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending - General Fund (Exhibit F)	\$ 7,267,351
Transfers in	177,050
Transfers (out)	(177,050)
Fund balance, beginning	<u>2,521</u>
Fund balance, ending - General Fund (Exhibit D)	<u><u>\$ 7,269,872</u></u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

E. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Washington's employer contributions are recognized when due, and the City of Washington has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value

2. Detail Notes on All Funds

Assets

Deposits

All of the City's and the TDA's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's and the TDA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the TDA, these deposits are considered to be held by the agent in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City and the TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and the TDA have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The City and the TDA comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the City's deposits had a carrying amount of \$24,455,482 and a bank balance of \$25,041,688. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$24,291,688 was covered by collateral held under the Pooling Method. The City also had \$1,395 in petty cash on hand at June 30, 2016.

At June 30, 2016, the City of Washington had \$20,277 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

3. Accounts Receivable – Allowance for Doubtful Accounts

The receivables shown in the Statement of Net Position at June 30, 2016, are net of the following allowances for doubtful accounts:

Fund	June 30, 2016
Governmental Activities:	
General Fund:	
Taxes receivable	\$ 136,070
Miscellaneous	89,833
Total governmental activities	<u>\$ 225,903</u>
Business-Type Activities:	
Enterprise Funds:	
Water Fund - accounts receivable	\$ 60,487
Sewer Fund - accounts receivable	83,883
Electric Fund - accounts receivable	670,388
Electric Fund - miscellaneous receivable	35,736
Stormwater Utility Fund - accounts receivable	12,485
Solid Waste Fund - accounts receivable	33,153
Total business-type activities	<u>\$ 896,132</u>

4. Notes Receivable

The City issued a note receivable on July 12, 1999 in the amount of \$188,000 in the CDBG Program Income Fund, of which the total principal is due on August 1, 2019. Interest is calculated at 1% and is due monthly. The amount outstanding at June 30, 2016 is \$186,277.

The City issued two note receivables on December 1, 2014 totaling \$13,918 in the CDBG Program Income Fund, of which the total monthly principal and interest payments in the amount of \$339.78 are due. Interest is calculated at 8%, and the payment term is 48 months. The amount outstanding at June 30, 2016 is \$7,462.

The City issued a note receivable on December 12, 1994 in the amount of \$400,000 in the Sewer Fund. Interest is calculated at 5.6%. Principal and interest is due annually through January 2020. The amount outstanding at June 30, 2016 is \$105,302.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

5. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Governmental Funds:					
Non-Depreciable Capital Assets:					
Land	\$ 5,173,034	\$ 59,786	\$ -	\$ -	\$ 5,232,820
Construction in progress	533,367	389,316	-	(452,413)	470,270
Total non-depreciable capital assets	<u>5,706,401</u>	<u>449,102</u>	<u>-</u>	<u>(452,413)</u>	<u>5,703,090</u>
Depreciable Capital Assets:					
Buildings	11,225,384	70,358	-	426,878	11,722,620
Streets and other improvements	11,118,665	214,382	-	-	11,333,047
General equipment	1,329,850	36,400	(41,095)	-	1,325,155
Office machines	1,406,291	42,625	(42,504)	2,000	1,408,412
Furniture	94,572	-	-	-	94,572
Vehicles	3,979,255	24,032	(381,783)	(32,400)	3,589,104
Total depreciable capital assets	<u>29,154,017</u>	<u>387,797</u>	<u>(465,382)</u>	<u>396,478</u>	<u>29,472,910</u>
Less Accumulated Depreciation:					
Buildings	5,887,533	366,642	(283,111)	-	5,971,064
Streets	4,782,694	306,342	-	-	5,089,036
General equipment	1,162,293	50,204	(33,219)	-	1,179,278
Office machines	1,037,255	76,885	(6,380)	-	1,107,760
Furniture	94,570	-	-	-	94,570
Vehicles	2,570,030	286,988	(125,155)	(32,400)	2,699,463
Total accumulated depreciation	<u>15,534,375</u>	<u>\$ 1,087,061</u>	<u>\$ (447,865)</u>	<u>\$ (32,400)</u>	<u>\$ 16,141,171</u>
Total depreciable capital assets, net	<u>13,619,642</u>				<u>13,331,739</u>
Total capital assets, net	<u>19,326,043</u>				<u>19,034,829</u>
Vehicle Replacement Internal Service Fund:					
Depreciable Capital Assets:					
Vehicles	-	\$ 1,276,949	\$ -	\$ -	1,276,949
Less Accumulated Depreciation:					
Vehicles	\$ -	\$ -	\$ -	\$ -	\$ -
Total depreciable capital assets, net	-				1,276,949
Total Internal Service Fund capital assets, net	-				1,276,949
Total governmental activities capital assets, net	<u>\$ 19,326,043</u>				<u>\$ 20,311,778</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Depreciation was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 105,469
Public safety	327,435
Transportation	265,467
Cultural and recreational	388,690
Total	<u>\$ 1,087,061</u>

Capital asset activity for the business-type activities for the year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Water Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 117,538	\$ -	\$ -	\$ 117,538
Construction in progress	166,198	985,978	-	1,152,176
Total non-depreciable capital assets	<u>283,736</u>	<u>985,978</u>	<u>-</u>	<u>1,269,714</u>
Depreciable Capital Assets:				
Plant, substations, lines, and distribution system	16,115,632	147,775	-	16,263,407
Buildings	7,165,906	-	-	7,165,906
Furniture and office equipment	811,493	23,783	-	835,276
General and mobile equipment	4,639,905	53,216	-	4,693,121
Total depreciable capital assets	<u>28,732,936</u>	<u>224,774</u>	<u>-</u>	<u>28,957,710</u>
Less Accumulated Depreciation:				
Plant, substations, lines, and distribution system	8,311,042	328,110	-	8,639,152
Buildings	3,553,777	196,620	-	3,750,397
Furniture and office equipment	755,713	396	-	756,109
General and mobile equipment	3,066,906	175,369	-	3,242,275
Total accumulated depreciation	<u>15,687,438</u>	<u>\$ 700,495</u>	<u>\$ -</u>	<u>16,387,933</u>
Total depreciable capital assets, net	<u>13,045,498</u>			<u>12,569,777</u>
Water Fund capital assets, net	<u>\$ 13,329,234</u>			<u>\$ 13,839,491</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 25,481	\$ -	\$ -	\$ 25,481
Construction in progress	284,833	931,881	-	1,216,714
Total non-depreciable capital assets	<u>310,314</u>	<u>931,881</u>	<u>-</u>	<u>1,242,195</u>
Depreciable Capital Assets:				
Plant, substations, lines, and distribution system	36,697,473	134,696	-	36,832,169
Buildings	2,433,057	-	-	2,433,057
Furniture and office equipment	76,877	37,382	-	114,259
General and mobile equipment	1,283,114	66,233	(15,326)	1,334,021
Total depreciable capital assets	<u>40,490,521</u>	<u>238,311</u>	<u>(15,326)</u>	<u>40,713,506</u>
Less Accumulated Depreciation:				
Plant, substations, lines, and distribution system	19,064,395	578,331	-	19,642,726
Buildings	2,138,463	16,265	-	2,154,728
Furniture and office equipment	76,877	1,297	-	78,174
General and mobile equipment	899,274	73,975	(15,326)	957,923
Total accumulated depreciation	<u>22,179,009</u>	<u>\$ 669,868</u>	<u>\$ (15,326)</u>	<u>22,833,551</u>
Total depreciable capital assets, net	<u>18,311,512</u>			<u>17,879,955</u>
Sewer Fund capital assets, net	<u>\$ 18,621,826</u>			<u>\$ 19,122,150</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 64,777	\$ -	\$ -	\$ -	\$ 64,777
Construction in progress	<u>563,885</u>	<u>764,302</u>	<u>-</u>	<u>-</u>	<u>1,328,187</u>
Total non-depreciable capital assets	<u>628,662</u>	<u>764,302</u>	<u>-</u>	<u>-</u>	<u>1,392,964</u>
Depreciable Capital Assets:					
Plant, substations, lines, and distribution system	54,779,967	1,185,047	-	-	55,965,014
Buildings	658,704	-	-	-	658,704
Furniture and office equipment	226,863	31,862	-	-	258,725
General and mobile equipment	<u>8,055,799</u>	<u>412,508</u>	<u>(53,566)</u>	<u>-</u>	<u>8,414,741</u>
Total depreciable capital assets	<u>63,721,333</u>	<u>1,629,417</u>	<u>(53,566)</u>	<u>-</u>	<u>65,297,184</u>
Less Accumulated Depreciation:					
Plant, substations, lines, and distribution system	31,990,474	780,120	-	-	32,770,594
Buildings	420,837	14,088	-	-	434,925
Furniture and office equipment	223,725	794	-	-	224,519
General and mobile equipment	<u>6,645,150</u>	<u>303,736</u>	<u>(53,566)</u>	<u>-</u>	<u>6,895,320</u>
Total accumulated depreciation	<u>39,280,186</u>	<u>\$ 1,098,738</u>	<u>\$ (53,566)</u>	<u>\$ -</u>	<u>40,325,358</u>
Total depreciable capital assets, net	<u>24,441,147</u>				<u>24,971,826</u>
Electric Fund capital assets, net	<u>\$ 25,069,809</u>				<u>\$ 26,364,790</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Stormwater Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 175,338	\$ -	\$ -	\$ -	\$ 175,338
Construction in progress	<u>4,695,527</u>	<u>39,606</u>	<u>-</u>	<u>-</u>	<u>4,735,133</u>
Total non-depreciable capital assets	<u>4,870,865</u>	<u>39,606</u>	<u>-</u>	<u>-</u>	<u>4,910,471</u>
Depreciable Capital Assets:					
Drainage system	5,474,849	-	-	-	5,474,849
General and mobile equipment	<u>275,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,205</u>
Total depreciable capital assets	<u>5,750,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,750,054</u>
Less Accumulated Depreciation:					
Drainage system	2,115,116	123,022	-	-	2,238,138
General and mobile equipment	<u>229,276</u>	<u>10,137</u>	<u>-</u>	<u>-</u>	<u>239,413</u>
Total accumulated depreciation	<u>2,344,392</u>	<u>\$ 133,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,477,551</u>
Total depreciable capital assets, net	<u>3,405,662</u>				<u>3,272,503</u>
Stormwater Fund capital assets, net	<u>\$ 8,276,527</u>				<u>\$ 8,182,974</u>

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Airport Fund					
Non-Depreciable Capital Assets:					
Land	\$ 1,266,648	\$ -	\$ -	\$ -	\$ 1,266,648
Construction in progress	<u>1,174,862</u>	<u>518,871</u>	<u>-</u>	<u>(1,249,794)</u>	<u>443,939</u>
Total non-depreciable capital assets	<u>2,441,510</u>	<u>518,871</u>	<u>-</u>	<u>(1,249,794)</u>	<u>1,710,587</u>
Depreciable Capital Assets:					
Runways	4,743,080	-	-	24,267	4,767,347
Buildings	303,705	-	-	1,225,527	1,529,232
General and mobile equipment	<u>709,689</u>	<u>-</u>	<u>(57,215)</u>	<u>32,400</u>	<u>684,874</u>
Total depreciable capital assets	<u>5,756,474</u>	<u>-</u>	<u>(57,215)</u>	<u>1,282,194</u>	<u>6,981,453</u>
Less Accumulated Depreciation:					
Runways	3,565,725	58,531	-	-	3,624,256
Buildings	282,114	2,269	-	-	284,383
General and mobile equipment	<u>437,932</u>	<u>14,550</u>	<u>(57,215)</u>	<u>32,400</u>	<u>427,667</u>
Total accumulated depreciation	<u>4,285,771</u>	<u>\$ 75,350</u>	<u>\$ (57,215)</u>	<u>\$ 32,400</u>	<u>4,336,306</u>
Total depreciable capital assets, net	<u>1,470,703</u>				<u>2,645,147</u>
Water Fund capital assets, net	<u>\$ 3,912,213</u>				<u>\$ 4,355,734</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Solid Waste Fund					
Non-Depreciable Capital Assets:					
Depreciable Capital Assets:					
General and mobile equipment	\$ 1,492,663	\$ -	\$ (32,199)	\$ -	\$ 1,460,464
Total depreciable capital assets	<u>1,492,663</u>	<u>-</u>	<u>(32,199)</u>	<u>-</u>	<u>1,460,464</u>
Less Accumulated Depreciation:					
General and mobile equipment	1,095,117	61,733	(32,199)	-	1,124,651
Total accumulated depreciation	<u>1,095,117</u>	<u>\$ 61,733</u>	<u>\$ (32,199)</u>	<u>\$ -</u>	<u>1,124,651</u>
Total depreciable capital assets, net	<u>397,546</u>				<u>335,813</u>
Water Fund capital assets, net	<u>\$ 397,546</u>				<u>\$ 335,813</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Cemetery Fund					
Non-Depreciable Capital Assets:					
Depreciable Capital Assets:					
Buildings	\$ 53,696	\$ -	\$ -	\$ -	\$ 53,696
General and mobile equipment	94,387	26,307	(25,513)	-	95,181
Total depreciable capital assets	<u>148,083</u>	<u>26,307</u>	<u>(25,513)</u>	<u>-</u>	<u>148,877</u>
Less Accumulated Depreciation:					
Buildings	99	1,193	-	-	1,292
General and mobile equipment	38,635	8,365	(25,513)	-	21,487
Total accumulated depreciation	<u>38,734</u>	<u>\$ 9,558</u>	<u>\$ (25,513)</u>	<u>\$ -</u>	<u>22,779</u>
Total depreciable capital assets, net	<u>109,349</u>				<u>126,098</u>
Water Fund capital assets, net	<u>\$ 109,349</u>				<u>\$ 126,098</u>

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2016 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts and vouchers	\$ 485,603	\$ 2,364,217	\$ 2,849,820
Accrued payroll and related liabilities	305,135	167,768	472,903
Accrued interest payable	346	12,565	12,911
Total accounts payable and accrued liabilities	<u>\$ 791,084</u>	<u>\$ 2,544,550</u>	<u>\$ 3,335,634</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

7. Pension Plan Obligations

Local Government Employees' Retirement System

Plan Description. The City is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Washington employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$596,514 for the year ended June 30, 2016.

Refunds of Contributions – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$843,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.188%, which was a decrease of 0.003% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$427,179. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 198,347
Net difference between projected and actual earnings on pension plan investments	-	240,233
Changes in proportion and differences between City contributions and proportionate share of contributions	-	108,509
City contributions subsequent to the measurement date	596,514	-
Total	<u>\$ 596,514</u>	<u>\$ 547,089</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$596,514 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2017	\$ (311,327)
2018	(311,327)
2019	(310,885)
2020	386,450
2021	-
Thereafter	-
Total	<u>\$ (547,089)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Long-Term	
	Target	Expected Real
	Allocation	Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	1% Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	<u>\$ 5,884,088</u>	<u>\$ 843,822</u>	<u>\$ (3,402,491)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan. All full-time law enforcement officers of the City are covered by the Separation Allowance.

At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>32</u>
Total	<u>34</u>

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees for the year ended June 30, 2016.

The annual required contribution for the fiscal year ended June 30, 2016 was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of the assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 112,745
Interest on net pension obligation	34,460
Adjustment to annual required contribution	<u>(60,565)</u>
Annual pension cost	86,640
Contributions made	<u>38,421</u>
Increase in net pension obligation	48,219
Net pension obligation:	
Beginning of year - July 1	<u>689,208</u>
End of year - June 30	<u><u>\$ 737,427</u></u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 67,721	47.18%	\$ 635,179
2015	85,930	37.12%	689,208
2016	86,640	44.35%	737,427

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,347,579. The covered payroll (annual payroll of active employees covered by the plan) was \$1,692,125, and the ratio of the UAAL to the covered payroll was 79.64 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plans for Law Enforcement Officers and Others

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were 111,899, which consisted of \$78,739 from the City and \$33,160 from the law enforcement officers. In addition, the City has elected to contribute \$50 bi-weekly in flex funds for other employees. Other employees may also make voluntary contributions to their plan. Contributions to this plan for other employees for the year ended June 30, 2016 were \$292,231, which consisted of \$119,190 from the City and \$173,041 from the employees.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (the "Death Benefit Plan"), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of these employees who die in active service after one year of contributing membership in the Death Benefit Plan, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the Death Benefit Plan at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Other Post-Employment Benefits

According to a City resolution, the City provides post-employment healthcare benefits to retirees with thirty years of credible service as recognized by the North Carolina Local Governmental Employees' Retirement System, a single-employer defined benefit plan, and have at least ten years of creditable service with the City. The City pays the full cost of coverage for these benefits until such employees become covered by Medicare. Medical insurance will be continued for a maximum of two years for an employee who retires on disability through the system but does not qualify for or pursue Social Security benefits. Also, retirees can purchase coverage for their dependents at the City's group rates. Currently, 20 retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2016, the City made payments for post-employment health benefit premiums of \$124,158. The City obtains healthcare coverage through Blue Cross Blue Shield directly. The City Council may amend the benefit provisions. A separate report is not issued for the plan.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Membership of the Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	21	N/A
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	<u>191</u>	<u>32</u>
Total	<u><u>212</u></u>	<u><u>32</u></u>

Funding Policy. The City's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 3.73% of annual covered payroll. For the current year, the City contributed \$124,158, or 1.29% of annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.29% and 1.29% of covered payroll, respectively. Employees paid premiums in the amount of \$168,247 for their share of dependent coverage. The City's obligation to contribute to the Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund and enterprise funds, which are maintained on the modified accrual basis of accounting and the accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 359,357
Interest on net OPEB obligation	62,611
Adjustments to annual required contribution	<u>(60,096)</u>
Annual OPEB cost (expense)	361,872
Contributions made	<u>124,158</u>
Increase (decrease) in net OPEB obligation	237,714
Net OPEB obligation:	
Beginning of year - July 1	<u>1,565,282</u>
End of year - June 30	<u><u>\$ 1,802,996</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 320,852	39.8%	\$ 1,406,724
2015	361,872	56.2%	1,565,282
2016	361,872	34.3%	1,802,996

Fund Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$4,653,806. The covered payroll (annual payroll of active employees covered by the plan) was \$9,629,860, and the ratio of the UAAL to the covered payroll was 48.33 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 5.00 to 7.50 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

As of June 30, 2016, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue its efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

8. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	<u>\$ 596,514</u>

Deferred inflows of resources at year-end are comprised of the following:

<u>Source</u>	<u>Amount</u>
Property taxes receivable (General Fund)	\$ 178,502
EMS receivable (General Fund)	212,763
Other receivables (General Fund)	41,579
Differences between expected and actual experience	198,347
Net difference between projected and actual earnings on pension plan investments	240,233
Changes in proportion and differences between City's contributions and proportionate share of contributions	<u>108,509</u>
	<u>\$ 979,933</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

9. Commitments

Construction

The City had outstanding commitments at June 30, 2016 of approximately \$400,827 for electric projects, \$327,000 for water and sewer improvements, and \$17,695 for a storm water drainage improvements.

Purchases

The City participates in the North Carolina Eastern Municipal Power Agency (the "Agency"). Under the contracts executed by the City with the Agency, the Agency became the "all requirements" power supplier to the City. The City is obligated to pay for this power at rates set by the Agency and to set rates at a level such that sufficient electrical revenue is generated to meet obligations to the Agency. The Agency furnishes power to the City by purchasing an undivided interest in some of Progress Energy's generating capacity and by contracting with Progress Energy to furnish all of the Agency's requirements. Under the terms of the agreement with the Agency, the City is obligated to pay a proportionate share of the Agency's obligation to Progress Energy for the purpose of generating capacity whether or not the generator produces power. This is commonly referred to as a "take or pay" contract in the electric industry.

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the City obtains general liability and auto liability coverage of \$2 million per occurrence and property coverage on a scheduled basis. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pool is audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City's Workers' Compensation Reserve Internal Service Fund was established in 2010 to account for a limited risk, self-insurance program to provide workers' compensation benefits to City employees. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$600,000. A total of \$8,549 in claims was incurred for benefits during fiscal year 2016.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Claims Liability

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Unpaid claims, beginning of year	\$ 255,092	\$ 75,246
Incurred claims (including claims incurred, but not reported, as of fiscal year-end)	8,549	236,149
Payments and reduction in claims estimates	<u>(143,977)</u>	<u>(56,303)</u>
Unpaid claims, end of year	<u>\$ 119,664</u>	<u>\$ 255,092</u>

The City carries additional commercial coverage for flood, marina operator's legal liability, and airport owner/operator's general liability.

In accordance with G.S. 159-29, City employees who have access to \$100 or more of City funds at any given time are performance bonded through a commercial surety bond. The Director of Finance is bonded individually for \$50,000. The remaining employees who have access to funds are bonded under a blanket bond for \$100,000.

At June 30, 2015, the City was a defendant to various lawsuits. In the opinion of the City's management and the City Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

11. Long-Term Obligations

Revolving Loans Payable

On November 17, 2003, the City was approved for a maximum loan amount of \$2,986,000 from the United States Environmental Protection Agency, passed through the North Carolina Department of Environment and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds are being used for the construction of the City of Washington Waste Water Treatment Plant – Phase II. The loan is being reported as long-term debt in the Sewer Fund and is repayable at 2.42% for 20 years beginning six months after the completion of the project. The City began repayment of the loan in the fiscal year ending June 30, 2006. The loan repayment schedule based on a loan amount of \$2,636,105 calls for equal principal repayments of \$131,805 annually for 20 years. The total amount outstanding at June 30, 2016 was \$1,186,247.

On April 23, 2012, the City was approved for a maximum loan amount of \$600,000 from the United States Environmental Protection Agency, passed through the North Carolina Department of Environment and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds are being used for the construction of the Main and Respress Lift Station. The loan is being reported as long-term debt in the Sewer Fund and is repayable at 0.00% for 15 years beginning May 2013. The loan repayment calls for equal principal repayments of \$40,000 annually for 15 years. The total amount outstanding at June 30, 2016 was \$403,676.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The annual debt service requirements of the revolving loans payable are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 168,503	\$ 28,707	\$ 197,210
2018	168,503	25,518	194,021
2019	168,503	22,328	190,831
2020	168,503	19,138	187,641
2021	168,503	15,948	184,451
2022-2026	710,710	31,897	742,607
2027	36,698	-	36,698
Total	\$ 1,589,923	\$ 143,536	\$ 1,733,459

Installment Notes Payable

Detail of installment notes payable for all fund types is as follows:

Purpose and Collateral	Issue Date	Issue Amount	Terms of Issuance	Interest Rates	Balance June 30, 2016
Governmental Activities:					
Refinance Fire Station	3/15/2013	2,075,000	Annual installment of \$166,970 due through March 2028	2.58%	\$ 1,690,870
Equipment	4/15/2013	240,000	Annual installments of \$50,501 due through February 2018	1.36%	83,130
Total governmental activities					<u>\$ 1,774,000</u>
Business-Type Activities:					
Electric:					
Equipment	4/15/2013	430,805	Annual installments of \$90,622 due through February 2018	1.36%	\$ 149,306
					<u>149,306</u>
Nonmajor Enterprise:					
Equipment - Cemetery	4/15/2013	\$ 35,000	Annual installments of \$7,365 due through February 2018	1.36%	12,122
Total business-type activities					<u>\$ 161,428</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The annual debt service requirements of these installment notes are as follows:

Governmental Activities:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 174,493	\$ 42,978	\$ 217,471
2018	161,525	39,068	200,593
2019	131,417	35,553	166,970
2020	134,848	32,122	166,970
2021	138,368	28,602	166,970
2022 -2026	747,950	86,899	834,849
2027-2028	285,399	6,798	292,197
Total	<u>\$ 1,774,000</u>	<u>\$ 272,020</u>	<u>\$ 2,046,020</u>

Enterprise Funds:

Year Ending June 30	Electric		
	Principal	Interest	Total
2017	\$ 89,146	\$ 1,476	90,622
2018	60,160	307	60,467
Total	<u>\$ 149,306</u>	<u>\$ 1,783</u>	<u>\$ 151,089</u>

Year Ending June 30	Cemetery		
	Principal	Interest	Total
2017	\$ 7,245	\$ 120	\$ 7,365
2018	4,877	25	4,902
Total	<u>\$ 12,122</u>	<u>\$ 145</u>	<u>\$ 12,267</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Recovery Zone Economic Development Bonds

On December 10, 2010, the City issued \$5,040,000 Recovery Zone Economic Development Bonds. The proceeds are being used for stormwater drainage improvements and a roof replacement at Fire Station #1. The loan is being reported as long-term debt in the Stormwater Fund and the governmental activities and is repayable at 2.695%. The bonds are due in semi-annual equal principal repayments of \$336,000 annually for 15 years. Recovery Zone Economic Development Bonds payable and future maturities at June 30, 2016 are comprised of the following:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 2,667	\$ 1,209	\$ 3,876
2018	2,667	1,078	3,745
2019	2,667	947	3,614
2020	2,667	817	3,484
2021	2,667	686	3,353
2022-2026	12,000	1,470	13,470
Total	<u>\$ 25,335</u>	<u>\$ 6,207</u>	<u>\$ 31,542</u>

Year Ending June 30	Stormwater Fund		
	Principal	Interest	Total
2017	\$ 333,333	\$ 151,083	\$ 484,416
2018	333,333	134,750	468,083
2019	333,333	118,417	451,750
2020	333,333	102,083	435,416
2021	333,333	85,750	419,083
2022-2026	1,500,000	183,750	1,683,750
Total	<u>\$ 3,166,665</u>	<u>\$ 775,833</u>	<u>\$ 3,942,498</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Long-Term Obligation Activity

The following is a summary of changes in the City's long-term debt as of June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion of Long-Term Liabilities
Governmental Activities:					
Installment notes payable	\$ 1,976,583	\$ -	\$ (202,583)	\$ 1,774,000	\$ 174,493
Recovery Zone Economic					
Development Bonds	28,002	-	(2,667)	25,335	2,667
Compensated absences	806,195	408,856	(476,688)	738,363	476,688
Pension obligation	689,208	86,640	(38,421)	737,427	-
OPEB accrued liability	979,859	176,536	(22,671)	1,133,724	-
Net pension liability (LGRS)	-	523,170	-	523,170	-
Total governmental activities	<u>\$ 4,479,847</u>	<u>\$ 1,195,202</u>	<u>\$ (743,030)</u>	<u>\$ 4,932,019</u>	<u>\$ 653,848</u>
Business-Type Activities:					
Installment notes payable	\$ 407,078	\$ -	\$ (245,650)	\$ 161,428	\$ 96,391
Revolving loan payable	1,758,426	-	(168,503)	1,589,923	168,503
Recovery Zone Economic					
Development Bonds	3,499,998	-	(333,333)	3,166,665	333,333
Compensated absences	357,202	291,487	(302,743)	345,946	345,946
OPEB accrued liability	585,423	129,478	(45,629)	669,272	-
Net pension liability (LGRS)	-	320,652	-	320,652	-
Total business-type activities	<u>\$ 6,608,127</u>	<u>\$ 741,617</u>	<u>\$ (1,095,858)</u>	<u>\$ 6,253,886</u>	<u>\$ 944,173</u>

Business-Type Activities

Major Enterprise Funds:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion of Long-Term Debt
Water Fund:					
Compensated absences	\$ 74,046	\$ 52,721	\$ (48,661)	\$ 78,106	\$ 78,106
OPEB accrued liability	105,620	21,580	(13,157)	114,043	-
Net pension liability (LGRS)	-	59,067	-	59,067	-
Total Water Fund activities	<u>\$ 179,666</u>	<u>\$ 133,368</u>	<u>\$ (61,818)</u>	<u>\$ 251,216</u>	<u>\$ 78,106</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Long-Term</u> <u>Debt</u>
Sewer Fund:					
Revolving loan payable	\$ 1,758,426	\$ -	\$ (168,503)	\$ 1,589,923	\$ 168,503
Compensated absences	51,695	63,155	(45,962)	68,888	68,888
OPEB accrued liability	111,439	23,240	(4,934)	129,745	-
Net pension liability (LGERS)	-	59,067	-	59,067	-
Total Sewer Fund activities	<u>\$ 1,921,560</u>	<u>\$ 145,462</u>	<u>\$ (219,399)</u>	<u>\$ 1,847,623</u>	<u>\$ 237,391</u>

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Long-Term</u> <u>Debt</u>
Electric Fund:					
Installment notes payable	\$ 370,106	\$ -	\$ (220,800)	\$ 149,306	\$ 89,146
Compensated absences	175,402	138,701	(171,304)	142,799	142,799
OPEB accrued liability	241,153	59,758	(17,670)	283,241	-
Net pension liability (LGERS)	-	135,011	-	135,011	-
Total Electric Fund activities	<u>\$ 786,661</u>	<u>\$ 333,470</u>	<u>\$ (409,774)</u>	<u>\$ 710,357</u>	<u>\$ 231,945</u>

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Long-Term</u> <u>Debt</u>
Stormwater Fund:					
Recovery Zone Economic					
Development Bonds payable	<u>\$ 3,499,998</u>	<u>\$ -</u>	<u>\$ (333,333)</u>	<u>\$ 3,166,665</u>	<u>\$ 333,333</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Nonmajor Enterprise Funds:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Long-Term</u> <u>Debt</u>
Airport Fund:					
Compensated absences	\$ 1,380	\$ 1,798	\$ (1,328)	\$ 1,850	\$ 1,850

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Long-Term</u> <u>Debt</u>
Solid Waste Fund:					
Installment notes payable	\$ 17,703	\$ -	\$ (17,703)	\$ -	\$ -
Compensated absences	41,758	29,092	(29,483)	41,367	41,367
OPEB accrued liability	85,289	18,260	(9,868)	93,681	-
Net pension liability (LGERS)	-	50,630	-	50,630	-
Total Solid Waste Fund	<u>\$ 144,750</u>	<u>\$ 97,982</u>	<u>\$ (57,054)</u>	<u>\$ 185,678</u>	<u>\$ 41,367</u>

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Long-Term</u> <u>Debt</u>
Cemetery Fund:					
Installment notes payable	\$ 19,269	\$ -	\$ (7,147)	\$ 12,122	\$ 7,245
Compensated absences	12,921	6,020	(6,005)	12,936	12,936
OPEB accrued liability	41,922	6,640	-	48,562	-
Net pension liability (LGERS)	-	16,877	-	16,877	-
Total Cemetery Fund	<u>\$ 74,112</u>	<u>\$ 29,537</u>	<u>\$ (13,152)</u>	<u>\$ 90,497</u>	<u>\$ 20,181</u>

Compensated absences, net pension obligation, and OPEB have been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

At June 30, 2016, the City has a legal debt margin of approximately \$61,968,873.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2016 is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 20,311,778	\$ 72,327,050
Less: capital debt		
Gross debt	1,799,335	4,918,016
Less: Unspent debt proceeds	-	(160,300)
Net capital debt	<u>1,799,335</u>	<u>4,757,716</u>
Net investment in capital assets	<u>\$ 18,512,443</u>	<u>\$ 67,569,334</u>

12. Interfund Balances and Activity

Due To/From Other Funds:

The composition of interfund balances as of June 30, 2016 is as follows:

Payable Fund	Receivable Fund		Purpose
	General Fund	Water Fund	
Nonmajor enterprise funds	\$ 16,934	\$ -	Advances of grant expenditures
Sewer fund	-	155,300	Advances of grant expenditures
Total	<u>\$ 16,934</u>	<u>\$ 155,300</u>	

Transfers To/From Other Funds:

The composition of interfund transfers for the year ending June 30, 2016 is as follows:

	Transfers Out					Total
	Major General Fund	Nonmajor Governmental Fund	Major Electric	Major Water	Major Sewer	
Transfers In:						
Major General Fund	\$ -	\$ 167,119	\$ 767,593	\$ 103,832	\$ 72,401	\$ 1,110,945
Nonmajor governmental funds	<u>243,896</u>	-	<u>63,636</u>	<u>18,182</u>	<u>18,182</u>	<u>343,896</u>
Total	<u>\$ 243,896</u>	<u>\$ 167,119</u>	<u>\$ 831,229</u>	<u>\$ 122,014</u>	<u>\$ 90,583</u>	<u>\$ 1,454,841</u>

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Transfers to and from the General Fund to the Public Safety Capital Reserve Fund were for support for debt payments. Transfers from the General Fund to the Facade Program Fund were for the City sponsorship of the Facade Program. Other transfers to and from the General Fund to the nonmajor governmental funds were transfers to close out the various projects and City contributions to the various projects. Transfers from the Electric Fund to the General Fund were annual dividends from the Electric Fund and the Electric Fund's share of economic development expenses. Transfers from the Water Fund to the General Fund were for the annual Highway 17 debt service and the Water Fund's share of economic development expenses. The transfers from the Sewer Fund to the General Fund were for the annual Highway 17 debt service and the Sewer Fund's share of economic development expenses.

13. Jointly Governed Organizations

Mid-East Commission

The City, in conjunction with five counties and twenty-eight other municipalities, established the Mid-East Commission (the "Commission"). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The City paid membership fees of \$2,801 to the Commission during the fiscal year ended June 30, 2016.

North Carolina Eastern Municipal Power Agency

The City, in conjunction with thirty-two other local governments, is a member of the North Carolina Eastern Municipal Power Agency (the "Agency"). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one Commissioner to the Agency's governing board. The thirty-two members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligations, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2016 was \$21,340,500.

On July 31, 2015, the NCEMPA completed the sale of most of its electricity generating assets to Duke Energy. These proceeds were used to defease the NCEMPA's outstanding revenue bonds. The NCEMPA entered into contractual arrangements with its member cities and Duke Energy. Under these arrangements, the NCEMPA will supply wholesale power to its members and will purchase this power from Duke Energy. In addition to payments made for electric power, NCEMPA members will make payments for their share of the debt service on the NCEMPA's new revenue bonds.

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

14. Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2016, the City reported revenues and expenditures for the payments of \$9,998 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2016. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

15. Related Organization

The Board of the City of Washington Housing Authority is appointed by the City of Washington. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

16. Federal and State-Assisted Programs

In 2010, the Department of Transportation, as part of a Highway 17 expansion project, moved water and sewer lines in the City of Washington at a cost of \$1,687,430 and determined that the City is responsible for the cost of these relocations. The City is contesting the responsibility. As a result, the State began reducing the City's annual Powell Bill grant allocation in fiscal year 2010 by \$112,495, which represents one fifteenth of the utility relocation cost. No additional liability has been booked for this relocation cost.

17. Subsequent Events

Damage in certain areas of the State of North Carolina resulting from Hurricane Matthew was of sufficient severity and magnitude to warrant a major disaster declaration by the President. Hurricane Matthew struck North Carolina and caused serious flooding in several counties including the City of Washington, Beaufort County. While there has been damage to buildings and other assets, as of the date of this report, it is unknown as to the extent of that damage.

The City of Washington could potentially have a liability due to water and sewer utility system expansion fees as of June 30, 2016 but this amount cannot be reasonably estimated or determined as of the report date of December 5, 2016. Therefore, a liability has not been reflected in the June 30, 2016 financial statements.

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Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officer's Special Separation Allowance
- Schedule of Funding Progress for Other Post-Employment Benefits (OPEB)
- Schedule of Employer Contributions for the Other Post-Employment Benefits (OPEB)
- Notes to the Required Schedules for the Other Post-Employment Benefits (OPEB)
- Proportionate Share of Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System (LGERS)
- Contributions for the Local Governmental Employees' Retirement System (LGERS)

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CITY OF WASHINGTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	\$ 608,552	\$ 608,552	0.00%	\$ 1,622,954	37.50%
12/31/2011	-	656,454	656,454	0.00%	1,653,548	39.70%
12/31/2012	-	741,061	741,061	0.00%	1,554,349	47.68%
12/31/2013	-	838,434	838,434	0.00%	1,564,713	53.58%
12/31/2014	-	863,138	863,138	0.00%	1,524,176	56.63%
12/31/2015	-	1,347,579	1,347,579	0.00%	1,692,125	79.64%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5%
Projected salary increases*	4.25% to 7.85%
Cost of living adjustments	None

* Includes inflation at 3.00%

CITY OF WASHINGTON, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	\$ 3,377,142	\$ 3,377,142	0.00%	\$ 9,286,875	36.40%
12/31/2012	-	3,981,807	3,981,807	0.00%	9,134,362	43.60%
12/31/2014	-	4,653,806	4,653,806	0.00%	9,629,860	48.33%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2011	\$ 338,037	24.63%
2012	338,037	24.63%
2013	319,046	36.80%
2014	319,046	36.80%
2015	359,357	34.55%
2016	359,357	34.55%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4%
Medical cost trend rate	5% - 7.50%
Year of Ultimate trend rate	2020

* Includes inflation at 3.00%

CITY OF WASHINGTON, NORTH CAROLINA**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS ***

Local Governmental Employees' Retirement System			
	2016	2015	2014
City's proportion of the net pension liability (asset) (%)	0.18802%	0.19138%	0.19320%
City's proportion of the net pension liability (asset) (\$)	\$ (843,822)	\$ (1,128,655)	\$ 2,328,802
City's covered-employee payroll	\$ 10,055,380	\$ 9,991,016	\$ 9,352,659
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(8.39%)	(11.30%)	24.90%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Pension schedules in the required supplementary information are intended to show information for ten years
and that additional years' information will be displayed as it becomes available.

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF WASHINGTON, NORTH CAROLINA

CITY OF WASHINGTON'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS

Local Governmental Employees' Retirement System			
	2016	2015	2014
Contractually required contribution	\$ 596,514	\$ 713,653	\$ 708,333
Contributions in relation to the contractually required contribution	<u>596,514</u>	<u>713,653</u>	<u>708,333</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Washington's covered-employee payroll	\$ 8,943,238	\$ 10,055,380	\$ 9,991,016
Contributions as a percentage of covered-employee payroll	6.67%	7.10%	7.09%

* Pension schedules in the required supplementary information are intended to show information for ten years and that additional years' information will be displayed as it becomes available.

Major Governmental Fund

General Fund

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. The City has legally adopted an Economic Development Fund. Under GASB 54 guidance the Economic Development Capital Reserve Fund is consolidated in the General Fund.

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CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND
COMPARATIVE BALANCE SHEETS - GENERAL FUND
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and investments	\$ 6,265,591	\$ 5,667,675
Taxes receivable, net	178,502	172,976
Accounts receivable, net	1,518,157	1,707,847
Due from other funds	16,934	27,570
Inventories	77,837	95,498
Prepaid items	98,748	96,057
Restricted cash and investments	2,210	2,601
Total assets	<u>\$ 8,157,979</u>	<u>\$ 7,770,224</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 453,053	\$ 465,698
Liabilities payable from restricted assets:		
Customer deposits	<u>2,210</u>	<u>2,601</u>
Total liabilities	<u>455,263</u>	<u>468,299</u>
Deferred Inflows of Resources:		
Taxes receivable	178,502	172,976
EMS receivable	212,763	247,569
Other accounts receivable	<u>41,579</u>	<u>19,636</u>
Total deferred inflows of resources	<u>432,844</u>	<u>440,181</u>
Fund Balances:		
Non-spendable, not in spendable form:		
Inventories	77,837	95,498
Prepaid items	98,748	96,057
Restricted:		
Stabilization by State statute	1,413,315	1,604,856
Restricted, all other	197,626	175,477
Committed	2,521	2,521
Assigned	148,100	67,735
Unassigned	<u>5,331,725</u>	<u>4,819,600</u>
Total fund balances	<u>7,269,872</u>	<u>6,861,744</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,157,979</u>	<u>\$ 7,770,224</u>

CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND CONSOLIDATED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Economic Development Capital Reserve Fund	Eliminations	Total
Revenues:				
Ad valorem taxes	\$ 4,340,445	\$ -	\$ -	\$ 4,340,445
Other taxes and licenses	2,686,421	-	-	2,686,421
Unrestricted intergovernmental	2,059,167	-	-	2,059,167
Restricted intergovernmental	655,238	-	-	655,238
Permits and fees	95,652	-	-	95,652
Sales and services	1,081,231	-	-	1,081,231
Investment earnings	36,861	-	-	36,861
Miscellaneous	144,282	-	-	144,282
Total revenues	<u>11,099,297</u>	<u>-</u>	<u>-</u>	<u>11,099,297</u>
Expenditures:				
General government	2,129,523	-	-	2,129,523
Public safety	5,644,347	-	-	5,644,347
Transportation	976,225	-	-	976,225
Environmental protection	374,367	-	-	374,367
Cultural and recreation	2,180,060	-	-	2,180,060
Debt service:				
Principal retirement	205,250	-	-	205,250
Interest and fees	48,446	-	-	48,446
Total expenditures	<u>11,558,218</u>	<u>-</u>	<u>-</u>	<u>11,558,218</u>
Revenues over (under) expenditures	<u>(458,921)</u>	<u>-</u>	<u>-</u>	<u>(458,921)</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,110,945	177,050	(177,050)	1,110,945
Transfers to other funds	(243,896)	(177,050)	177,050	(243,896)
Total other financing sources (uses)	<u>867,049</u>	<u>-</u>	<u>-</u>	<u>867,049</u>
Net change in fund balances	408,128	-	-	408,128
Fund Balances:				
Beginning of year - July 1	<u>6,859,223</u>	<u>2,521</u>	<u>-</u>	<u>6,861,744</u>
End of year - June 30	<u>\$ 7,267,351</u>	<u>\$ 2,521</u>	<u>\$ -</u>	<u>\$ 7,269,872</u>

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 4,308,809	\$ 4,301,975	\$ (6,834)	\$ 4,397,631
Penalties and interest	55,000	38,470	(16,530)	44,128
Total	<u>4,363,809</u>	<u>4,340,445</u>	<u>(23,364)</u>	<u>4,441,759</u>
Other Taxes and Licenses:				
Local option sales tax	2,221,312	2,330,383	109,071	2,362,096
Local occupancy tax	250,000	259,553	9,553	247,187
Automotive licenses	45,000	47,080	2,080	51,913
Rental vehicle tax	16,000	19,929	3,929	18,807
Privilege licenses	-	1,504	1,504	114,343
PEG Channel tax	28,965	27,972	(993)	28,518
Total	<u>2,561,277</u>	<u>2,686,421</u>	<u>125,144</u>	<u>2,822,864</u>
Unrestricted Intergovernmental:				
Payment in lieu of taxes	665,067	665,067	-	465,163
Franchise tax	1,146,348	1,284,505	138,157	1,286,375
Utility sales tax	-	-	-	190,000
Beer and wine tax	40,500	42,419	1,919	46,206
Court costs and fines	6,000	3,951	(2,049)	5,813
ABC Board distributions	18,000	28,396	10,396	19,240
Public housing payment	33,481	34,829	1,348	33,481
Total	<u>1,909,396</u>	<u>2,059,167</u>	<u>149,771</u>	<u>2,046,278</u>
Restricted Intergovernmental:				
Local forfeiture	1,000	2,374	1,374	955
Powell Bill	183,590	180,736	(2,854)	183,590
Beaufort County - library	107,800	7,800	(100,000)	7,800
Beaufort County - recreation	15,732	15,732	-	15,732
Controlled substance tax	4,000	3,438	(562)	8,279
Beaufort County - rescue squad	151,149	151,149	-	137,048
Washington Park - firefighting	37,976	38,360	384	37,231
State reimbursement for Medicaid EMS	188,000	159,607	(28,393)	197,001
CAMA - permits and inspections	-	-	-	100
State aid to public libraries	12,258	10,077	(2,181)	33,691
Mid-East Commission - recreation	32,209	38,654	6,445	37,166
Federal grant - bulletproof vests	-	-	-	2,613
Other grants	2,482	47,311	44,829	4,483
Total	<u>736,196</u>	<u>655,238</u>	<u>(80,958)</u>	<u>665,689</u>

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Permits and Fees:				
Fire permit and inspection fees	2,500	2,960	460	3,180
Building permits	60,000	92,692	32,692	83,166
Total	62,500	95,652	33,152	86,346
Sales and Services:				
Rents	32,256	43,761	11,505	32,256
Fire contracts	1,400	1,479	79	1,491
Public works fees	500	1,425	925	2,079
Administrative charges -gas	11,000	12,144	1,144	13,440
Recreation fees and assessments	118,100	109,779	(8,321)	77,121
Sale of materials and property	5,000	26,400	21,400	7,281
Municipal citations	7,500	2,920	(4,580)	7,425
Grass mowing and lot cleaning	5,100	9,285	4,185	13,883
Rescue squad	588,237	713,875	125,638	615,070
Library fees and fines	21,000	21,471	471	23,984
Development filing fees	-	1,415	1,415	1,075
Sale of capital assets	15,000	-	(15,000)	41,788
Aquatic Center	78,600	98,313	19,713	83,109
Contracted police services	16,000	34,526	18,526	24,603
Paving assessments	3,149	4,403	1,254	3,299
Other	20	35	15	26
Total	902,862	1,081,231	178,369	947,930
Investment Earnings:				
Interest	36,602	36,861	259	43,209
Miscellaneous:				
Contributions	4,500	35,690	31,190	10,050
Other	23,550	108,592	85,042	23,032
Total	28,050	144,282	116,232	33,082
Total revenues	10,600,692	11,099,297	498,605	11,087,157
Expenditures:				
General Government:				
City Council:				
Salaries and employee benefits	33,128	31,220	1,908	33,089
Professional services	9,740	8,789	951	7,210
Other operating expenditures	10,310	6,961	3,349	5,438
Election expenses	5,700	5,451	249	-
Total	58,878	52,421	6,457	45,737

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Mayor's Office:				
Salaries and employee benefits	11,900	11,859	41	11,621
Other operating expenditures	1,660	1,517	143	659
Election expenses	970	970	-	-
Total	14,530	14,346	184	12,280
City Manager:				
Salaries and employee benefits	291,249	259,519	31,730	312,427
Professional services	500	233	267	26
Other operating expenditures	22,160	13,880	8,280	12,697
Total	313,909	273,632	40,277	325,150
Human Resources:				
Salaries and employee benefits	258,766	255,110	3,656	243,253
Professional services	5,000	4,766	234	4,701
Other operating expenditures	55,798	51,117	4,681	42,221
Maintenance and repairs	950	602	348	467
Contracted services	25,000	25,000	-	25,000
Total	345,514	336,595	8,919	315,642
Tourism Director:				
Salaries and employee benefits	111,650	107,878	3,772	103,127
Professional services	195	193	2	168
Other operating expenditures	2,693	2,649	44	2,348
Total	114,538	110,720	3,818	105,643
Finance Director:				
Salaries and employee benefits	438,707	431,240	7,467	427,438
Professional services	92,630	87,164	5,466	78,803
Other operating expenditures	14,095	13,412	683	16,610
Maintenance and repairs	-	-	-	730
Total	545,432	531,816	13,616	523,581
Purchasing and Supply:				
Salaries and employee benefits	121,785	119,138	2,647	118,113
Professional services	84	70	14	-
Other operating expenditures	15,963	14,336	1,627	14,159
Maintenance and repairs	28,053	25,855	2,198	8,101
Capital outlay	57,414	51,482	5,932	-
Total	223,299	210,881	12,418	140,373

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Customer Service:				
Salaries and employee benefits	346,404	335,758	10,646	334,080
Professional services	5,050	5,048	2	11,492
Other operating expenditures	278,152	274,051	4,101	283,522
Capital outlay	-	-	-	3,275
Total	629,606	614,857	14,749	632,369
Billing Department:				
Salaries and employee benefits	81,377	81,034	343	79,895
Other operating expenditures	84,460	83,382	1,078	77,873
Total	165,837	164,416	1,421	157,768
Information Services:				
Salaries and employee benefits	77,001	75,255	1,746	76,659
Contract services	143,133	136,944	6,189	151,648
Other operating expenditures	39,689	35,695	3,994	29,563
Maintenance and repairs	10,125	10,124	1	6,864
Capital outlay	49,306	42,625	6,681	25,694
Total	319,254	300,643	18,611	290,428
Municipal Building:				
Salaries and employee benefits	53,800	53,336	464	52,863
Contracted services	8,100	6,741	1,359	8,795
Other operating expenditures	60,431	58,098	2,333	61,240
Maintenance and repairs	42,552	42,394	158	44,833
Total	164,883	160,569	4,314	167,731
Legal Services:				
Professional services	222,000	221,623	377	159,493
Non-Departmental:				
Other operating expenditures	636,498	629,537	6,961	628,020
Maintenance and repairs	1,000	794	206	785
Capital outlay	132,733	131,786	947	8,000
Total	770,231	762,117	8,114	636,805
Economic Development:				
Operating expenditures	108,550	102,550	6,000	71,976
Professional services	19,000	19,000	-	15,000
Total	127,550	121,550	6,000	86,976

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Planning/Zoning:				
Salaries and employee benefits	284,693	278,403	6,290	252,528
Professional services	30,750	13,847	16,903	28,830
Contract services	600	-	600	-
Other operating expenditures	15,855	14,919	936	14,794
Capital outlay	29,600	27,900	1,700	-
Total	361,498	335,069	26,429	296,152
Code Enforcement/Inspections:				
Salaries and employee benefits	221,475	221,186	289	220,234
Contract services	17,280	15,538	1,742	13,421
Other operating expenditures	53,100	50,026	3,074	22,320
Maintenance and repairs	3,500	2,531	969	3,417
Total	295,355	289,281	6,074	259,392
Reimbursement:				
Enterprise funds	(2,260,292)	(2,260,292)	-	(2,075,855)
Tourism Authority	(114,538)	(110,721)	(3,817)	(105,642)
Total	(2,374,830)	(2,371,013)	(3,817)	(2,181,497)
Total general government	2,297,484	2,129,523	167,961	1,974,023
Public Safety:				
Police:				
Salaries and employee benefits	2,373,393	2,294,319	79,074	2,343,540
Professional services	9,400	8,556	844	3,726
Other operating expenditures	379,566	339,108	40,458	182,647
Maintenance and repairs	166,340	96,049	70,291	135,611
Contracted services	31,600	24,381	7,219	20,662
Capital outlay	100	49	51	124,202
Total	2,960,399	2,762,462	197,937	2,810,388
E-911 Communication:				
Salaries and employee benefits	269,127	256,328	12,799	255,512
Other operating expenditures	77,400	21,692	55,708	65,367
Maintenance and repairs	11,200	7,697	3,503	7,961
Total	357,727	285,717	72,010	328,840

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and employee benefits	506,201	472,608	33,593	500,151
Professional services	7,093	6,450	643	8,465
Contracted services	1,980	1,980	-	1,860
Other operating expenditures	160,929	145,586	15,343	131,185
Maintenance and repairs	74,974	68,793	6,181	57,474
Capital outlay	-	-	-	38,255
Contribution to Fireman's Association	4,205	3,979	226	3,543
Total	<u>755,382</u>	<u>699,396</u>	<u>55,986</u>	<u>740,933</u>
Rescue:				
Salaries and employee benefits	1,549,911	1,547,149	2,762	1,481,645
Professional services	53,926	51,351	2,575	38,854
Other operating expenditures	249,917	246,357	3,560	83,869
Maintenance and repairs	25,263	23,611	1,652	30,538
Capital outlay	30,000	28,304	1,696	-
Total	<u>1,909,017</u>	<u>1,896,772</u>	<u>12,245</u>	<u>1,634,906</u>
Total public safety	<u>5,982,525</u>	<u>5,644,347</u>	<u>338,178</u>	<u>5,515,067</u>
Transportation:				
Street Maintenance:				
Salaries and employee benefits	322,708	310,857	11,851	314,338
Professional services	119,550	74,241	45,309	680
Other operating expenditures	94,100	87,382	6,718	15,161
Maintenance and repairs	50,300	38,323	11,977	49,681
Capital outlay	10,250	9,703	547	63,816
Total	<u>596,908</u>	<u>520,506</u>	<u>76,402</u>	<u>443,676</u>
Street Construction - Powell Bill:				
Salaries and employee benefits	111,521	107,378	4,143	106,370
Professional services	1,000	128	872	1,107
Other operating expenditures	77,238	40,677	36,561	52,322
Maintenance and repairs	17,560	10,557	7,003	17,297
Contracted services	60,914	8,119	52,795	222,562
Capital outlay	-	-	-	22,621
Total	<u>268,233</u>	<u>166,859</u>	<u>101,374</u>	<u>422,279</u>
Street Lighting:				
Street lighting services	153,000	136,426	16,574	143,454
Total	<u>153,000</u>	<u>136,426</u>	<u>16,574</u>	<u>143,454</u>

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Equipment Services:				
Salaries and employee benefits	82,342	85,583	(3,241)	77,035
Professional services	200	132	68	108
Other operating expenditures	76,715	61,977	14,738	67,487
Maintenance and repairs	6,450	4,742	1,708	5,107
Total	165,707	152,434	13,273	149,737
Total transportation	1,183,848	976,225	207,623	1,097,764
Public Works Director:				
Salaries and employee benefits	77,040	76,276	764	75,352
Professional services	120	108	12	-
Other operating expenditures	2,250	2,049	201	1,312
Total	79,410	78,433	977	76,664
Drainage Improvements:				
Salaries and employee benefits	305,531	295,727	9,804	304,714
Other operating expenditures	309	207	102	37
Total	305,840	295,934	9,906	304,751
Total environmental protection	385,250	374,367	10,883	381,415
Cultural and Recreational:				
Recreation Centers:				
Salaries and employee benefits	102,348	103,573	(1,225)	94,042
Professional services	525	480	45	638
Other operating expenditures	25,312	24,218	1,094	24,856
Maintenance and repairs	41,328	40,970	358	17,569
Programs	25,629	24,104	1,525	21,379
Capital outlay	64,465	64,464	1	-
Total	259,607	257,809	1,798	158,484
Senior Citizens Programs:				
Salaries and employee benefits	154,842	149,601	5,241	142,405
Professional services	400	144	256	230
Other operating expenditures	22,860	20,549	2,311	27,598
Programs	15,769	15,519	250	25,453
Maintenance and repairs	22,065	21,198	867	12,331
Capital outlay	5,900	5,894	6	-
Total	221,836	212,905	8,931	208,017

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Recreation Administration:				
Salaries and employee benefits	76,983	76,248	735	77,398
Professional services	408	408	-	36
Other operating expenditures	45,137	42,899	2,238	46,586
Maintenance and repairs	16,662	15,806	856	21,703
Capital outlay	3,000	2,838	162	1,635
Total	142,190	138,199	3,991	147,358
Library:				
Salaries and employee benefits	284,587	272,697	11,890	280,348
Contract services	32,965	32,665	300	23,412
Professional services	405	400	5	20,458
Other operating expenditures	103,559	100,492	3,067	103,110
Maintenance and repairs	5,570	4,868	702	11,249
Capital outlay	-	-	-	17,027
Total	427,086	411,122	15,964	455,604
Parks and Grounds Maintenance:				
Salaries and employee benefits	265,853	265,850	3	264,823
Professional services	6,652	6,652	-	181
Contracted services	12,500	12,500	-	13,332
Other operating expenditures	92,762	92,759	3	96,124
Maintenance and repairs	131,531	119,676	11,855	114,028
Capital outlay	118,361	98,405	19,956	137,293
Total	627,659	595,842	31,817	625,781
Waterfront Docks:				
Salaries and employee benefits	57,898	55,239	2,659	51,697
Professional services	400	208	192	151
Other operating expenditures	42,432	32,357	10,075	35,339
Maintenance and repairs	9,764	3,957	5,807	8,341
Total	110,494	91,761	18,733	95,528
Contributions to Outside Agencies:				
Arts Council	-	-	-	16,000
Zion Shelter	7,650	7,650	-	8,500
BHM Library	7,800	7,800	-	7,800
Boys and Girls Club	14,400	14,400	-	16,000
Washington Historic Foundation/Christmas Parade	-	-	-	1,500

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
The Blind Center	1,125	1,125	-	1,250
Human Relations Council	-	-	-	441
Purpose of God	18,000	18,000	-	20,000
Veterans Park	-	-	-	3,946
Right Flight	3,150	3,150	-	3,500
Eagle Wings	900	900	-	1,000
American Red Cross	-	-	-	500
Estuarium	-	-	-	20,000
Corner Stone	9,000	9,000	-	10,000
Total	62,025	62,025	-	110,437
Civic Center:				
Salaries and employee benefits	61,577	60,728	849	87,109
Other operating expenditures	9,750	8,149	1,601	9,757
Maintenance and repairs	10,435	10,435	-	14,840
Contracted services	40,000	40,000	-	45,000
Professional services	200	70	130	-
Total	121,962	119,382	2,580	156,706
Aquatic Center:				
Salaries and employee benefits	155,271	152,453	2,818	150,809
Professional services	5,800	622	5,178	1,207
Other operating expenditures	136,980	133,356	3,624	132,114
Maintenance and repairs	72,818	67,411	5,407	79,594
Total	370,869	353,842	17,027	363,733
Reimbursement:				
Civic Center	(59,627)	(62,125)	2,498	(89,531)
Library Trust Fund	(600)	(702)	102	(720)
Total	(60,227)	(62,827)	2,600	(90,251)
Total cultural and recreation	<u>2,283,501</u>	<u>2,180,060</u>	<u>103,441</u>	<u>2,231,397</u>
Debt Service:				
Principal retirement	205,251	205,250	1	211,036
Interest and fees	48,450	48,446	4	53,209
Total debt service	253,701	253,696	5	264,245
Total expenditures	<u>12,386,309</u>	<u>11,558,218</u>	<u>828,091</u>	<u>11,463,911</u>
Revenues over (under) expenditures	<u>(1,785,617)</u>	<u>(458,921)</u>	<u>1,326,696</u>	<u>(376,754)</u>

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfer From:				
From Economic Development Capital Reserve Fund	177,050	177,050	-	153,500
From Electric Fund	654,281	654,281	-	470,000
From Water Fund	71,963	71,963	-	71,963
From Sewer Fund	40,532	40,532	-	40,532
From Public Safety Capital Reserve Fund	166,970	166,970	-	166,970
From Capital Project Funds	-	149	149	4,651
Transfer To:				
To Public Safety Capital Reserve Fund	(166,970)	(166,970)	-	(166,970)
To Airport Fund	-	-	-	(91,164)
To Facade Program Fund	(20,000)	(20,000)	-	(20,000)
To Cemetery Fund	-	-	-	(165,040)
To CPF	(56,876)	(56,926)	(50)	(3,000)
To other funds	(5,000)	-	5,000	(1,751,437)
Appropriated fund balance	923,667	-	(923,667)	-
Total other financing sources (uses)	<u>1,785,617</u>	<u>867,049</u>	<u>(918,568)</u>	<u>(1,289,995)</u>
Net change in fund balance	<u>\$ -</u>	<u>408,128</u>	<u>\$ 408,128</u>	<u>(1,666,749)</u>
Fund Balance:				
Beginning of year - July 1		<u>6,859,223</u>		<u>8,525,972</u>
End of year - June 30		<u>\$ 7,267,351</u>		<u>\$ 6,859,223</u>

CITY OF WASHINGTON, NORTH CAROLINA

ECONOMIC DEVELOPMENT CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to General Fund	\$ (177,050)	\$ (177,050)	\$ -	\$ (153,500)
Transfers from Electric Fund	113,312	113,312	-	98,708
Transfer from Water Fund	31,869	31,869	-	28,646
Transfer from Sewer Fund	31,869	31,869	-	28,646
Total other financing sources (uses)	-	-	-	2,500
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	2,500
Fund Balance:				
Beginning of year - July 1		<u>2,521</u>		<u>21</u>
End of year - June 30		<u>\$ 2,521</u>		<u>\$ 2,521</u>

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Nonmajor Governmental Funds

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CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Special Revenue Fund	Capital Project Funds	Permanent Funds	Total
Assets:				
Cash and cash equivalents	\$ 13,529	\$ 1,399,516	\$ 549,754	\$ 1,962,799
Accounts receivable, net	-	158,466	99	158,565
Notes receivable, net	193,739	-	-	193,739
Total assets	<u>\$ 207,268</u>	<u>\$ 1,557,982</u>	<u>\$ 549,853</u>	<u>\$ 2,315,103</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 180,424	\$ -	\$ 180,424
Advances from grantors	-	1,500	-	1,500
Total liabilities	<u>-</u>	<u>181,924</u>	<u>-</u>	<u>181,924</u>
Fund Balances:				
Non-spendable, not in spendable form:				
Perpetual maintenance - library care	-	-	95,377	95,377
Perpetual maintenance - cemetery care	-	-	454,377	454,377
Restricted:				
Stabilization by State statute	-	158,466	99	158,565
Restricted, all other	207,268	200,885	-	408,153
Committed	-	1,147,044	-	1,147,044
Assigned	-	26,806	-	26,806
Unassigned	-	(157,143)	-	(157,143)
Total fund balances	<u>207,268</u>	<u>1,376,058</u>	<u>549,853</u>	<u>2,133,179</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 207,268</u>	<u>\$ 1,557,982</u>	<u>\$ 549,853</u>	<u>\$ 2,315,103</u>

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Fund	Capital Project Funds	Permanent Funds	Total
Revenues:				
Restricted intergovernmental	\$ -	\$ 127,691	\$ -	\$ 127,691
Investment earnings	-	6,730	3,806	10,536
Miscellaneous revenue	-	515,798	-	515,798
Total revenues	-	650,219	3,806	654,025
Expenditures:				
Current:				
Public safety	-	13,628	-	13,628
Environmental protection	-	-	3,104	3,104
Cultural and recreation	-	282,249	702	282,951
Economic and physical development	-	207,441	-	207,441
Total expenditures	-	503,318	3,806	507,124
Revenues over (under) expenditures	-	146,901	-	146,901
Other Financing Sources (Uses):				
Transfers in	-	343,896	-	343,896
Transfers out	-	(167,119)	-	(167,119)
Total other financing sources (uses)	-	176,777	-	176,777
Net change in fund balances	-	323,678	-	323,678
Fund Balances:				
Beginning of year - July 1	207,268	1,052,380	549,853	1,809,501
End of year - June 30	<u>\$ 207,268</u>	<u>\$ 1,376,058</u>	<u>\$ 549,853</u>	<u>\$ 2,133,179</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- CDBG Program Income Fund

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CITY OF WASHINGTON, NORTH CAROLINA

SPECIAL REVENUE FUND - CDBG PROGRAM INCOME FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Economic development loan repayments	\$ 5,957	\$ -	\$ (5,957)	\$ 4,755
Expenditures:				
Economic and Physical Development:				
Contingency	5,957	-	5,957	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	4,755
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Current year economic development loan repayments		-		(4,755)
Net change in fund balance - modified accrual basis		<u>\$ -</u>		<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1	\$ 207,268			\$ 3,313
Restatement		-		203,955
End of year - June 30	<u>\$ 207,268</u>			<u>\$ 207,268</u>

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Nonmajor Governmental Funds

Capital Project Funds

Capital Project Funds account for funds to be used for the acquisition or construction of major capital facilities.

- New Police Station Project Fund
- Public Safety Capital Reserve Fund
- Facade Program Fund
- Pedestrian Project Fund
- Way Finding Project Fund
- IDX Impressions Building Reuse Grant Fund
- Municipal Pier Grant Fund
- Assistance to Firefighters Grant Fund
- Washington Downtown Properties Fund
- Trillium Health Resources Grant Fund
- Hotel Project – New Age Properties Fund
- Financial and Utility Software Project

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	New Police Station Fund	Public Safety Capital Reserve Fund	Facade Program Fund	Pedestrian Project	Way Finding Project
Assets:					
Cash and cash equivalents	\$ 865,993	\$ 1,222	\$ 26,806	\$ 10,000	\$ 129,829
Accounts receivable, net	174	-	-	-	-
Total assets	<u>\$ 866,167</u>	<u>\$ 1,222</u>	<u>\$ 26,806</u>	<u>\$ 10,000</u>	<u>\$ 129,829</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Advances from grantors	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
Stabilization by State statute	174	-	-	-	-
Restricted, all other	-	-	-	10,000	-
Committed	865,993	1,222	-	-	129,829
Assigned	-	-	26,806	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>866,167</u>	<u>1,222</u>	<u>26,806</u>	<u>10,000</u>	<u>129,829</u>
Total liabilities and fund balances	<u>\$ 866,167</u>	<u>\$ 1,222</u>	<u>\$ 26,806</u>	<u>\$ 10,000</u>	<u>\$ 129,829</u>

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	IDX Impressions Building Reuse Grant	Trillium Health Resources Grant	Hotel Project - New Age Property Fund	Financial and Utility Billing Software Fund	Total Nonmajor Capital Project Funds
Assets:					
Cash and cash equivalents	\$ 1,500	\$ 296	213,870	150,000	\$ 1,399,516
Accounts receivable, net	-	158,292	-	-	158,466
Total assets	<u>\$ 1,500</u>	<u>\$ 158,588</u>	<u>\$ 213,870</u>	<u>\$ 150,000</u>	<u>\$ 1,557,982</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ 157,439	22,985	\$ -	\$ 180,424
Advances from grantors	1,500	-	-	-	1,500
Total liabilities	<u>1,500</u>	<u>157,439</u>	<u>22,985</u>	<u>-</u>	<u>181,924</u>
Fund Balances:					
Restricted:					
Stabilization by State statute	-	158,292	-	-	158,466
Restricted, all other	-	-	190,885	-	200,885
Committed	-	-	-	150,000	1,147,044
Assigned	-	-	-	-	26,806
Unassigned	-	(157,143)	-	-	(157,143)
Total fund balances	<u>-</u>	<u>1,149</u>	<u>190,885</u>	<u>150,000</u>	<u>1,376,058</u>
Total liabilities and fund balances	<u>\$ 1,500</u>	<u>\$ 158,588</u>	<u>\$ 213,870</u>	<u>\$ 150,000</u>	<u>\$ 1,557,982</u>

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	New Police Station Fund	Public Safety Capital Reserve Fund	Façade Program Fund	Pedestrian Project	Way Finding Project
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-
Investment earnings	6,401	2	16	-	311
Total revenues	6,401	2	16	-	311
Expenditures:					
Public safety	5,532	-	-	-	-
Cultural and recreational	-	-	-	-	-
Economic and physical development	-	-	18,000	-	6,000
Total expenditures	5,532	-	18,000	-	6,000
Revenues over (under) expenditures	869	2	(17,984)	-	(5,689)
Other Financing Sources (Uses):					
Transfers in	-	166,970	20,000	-	-
Transfers out	-	(166,970)	-	-	-
Total other financing sources (uses)	-	-	20,000	-	-
Net change in fund balances	869	2	2,016	-	(5,689)
Fund Balances:					
Beginning of year - July 1	865,298	1,220	24,790	10,000	135,518
End of year - June 30	\$ 866,167	\$ 1,222	\$ 26,806	\$ 10,000	\$ 129,829

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Municipal Pier Grant	Fire Station 1 Exhaust System Grant	Washington Downtown Properties	Trillium Health Resources Grant	Hotel Project - New Age Property Fund	Financial and Utility Billing Software Fund	Total Nonmajor Capital Project Funds
Revenues:							
Restricted intergovernmental	\$ 120,000	\$ 7,691	\$ -	\$ -	\$ -	\$ -	\$ 127,691
Local contributions	-	-	18,000	283,398	214,400	-	515,798
Investment earnings	-	-	-	-	-	-	6,730
Total revenues	<u>120,000</u>	<u>7,691</u>	<u>18,000</u>	<u>283,398</u>	<u>214,400</u>	<u>-</u>	<u>650,219</u>
Expenditures:							
Public safety	-	8,096	-	-	-	-	13,628
Cultural and recreational	-	-	-	282,249	-	-	282,249
Economic and physical development	<u>135,000</u>	<u>-</u>	<u>24,876</u>	<u>-</u>	<u>23,565</u>	<u>-</u>	<u>207,441</u>
Total expenditures	<u>135,000</u>	<u>8,096</u>	<u>24,876</u>	<u>282,249</u>	<u>23,565</u>	<u>-</u>	<u>503,318</u>
Revenues over (under) expenditures	<u>(15,000)</u>	<u>(405)</u>	<u>(6,876)</u>	<u>1,149</u>	<u>190,835</u>	<u>-</u>	<u>146,901</u>
Other Financing Sources (Uses):							
Transfers in	-	-	6,876	-	50	150,000	343,896
Transfers out	<u>-</u>	<u>(149)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,119)</u>
Total other financing sources (uses)	<u>-</u>	<u>(149)</u>	<u>6,876</u>	<u>-</u>	<u>50</u>	<u>150,000</u>	<u>176,777</u>
Net change in fund balances	<u>(15,000)</u>	<u>(554)</u>	<u>-</u>	<u>1,149</u>	<u>190,885</u>	<u>150,000</u>	<u>323,678</u>
Fund Balances:							
Beginning of year - July 1	<u>15,000</u>	<u>554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052,380</u>
End of year - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149</u>	<u>\$ 190,885</u>	<u>\$ 150,000</u>	<u>\$ 1,376,058</u>

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEW POLICE STATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Investment earnings	\$ 35,000	\$ 26,875	\$ 6,401	\$ 33,276	\$ (1,724)
Expenditures:					
Public Safety:					
Legal fees	20,000	14,889	-	14,889	5,111
Engineering fees	325,000	127,192	5,532	132,724	192,276
Land acquisition	690,000	19,496	-	19,496	670,504
Total expenditures	<u>1,035,000</u>	<u>161,577</u>	<u>5,532</u>	<u>167,109</u>	<u>867,891</u>
Revenues over (under) expenditures	(1,000,000)	(134,702)	869	(133,833)	866,167
Other Financing Sources (Uses):					
Transfer from General Fund	<u>1,000,000</u>	<u>1,000,000</u>	-	<u>1,000,000</u>	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 865,298</u>	869	<u>\$ 866,167</u>	<u>\$ 866,167</u>
Fund Balance:					
Beginning of year - July 1			<u>865,298</u>		
End of year - June 30			<u>\$ 866,167</u>		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - PUBLIC SAFETY CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted Intergovernmental:				
Investment earnings	\$ -	\$ 2	\$ 2	\$ 3
Other Financing Sources (Uses):				
Transfers from General Fund	166,970	166,970	-	166,970
Transfers to General Fund	<u>(166,970)</u>	<u>(166,970)</u>	<u>-</u>	<u>(166,970)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>2</u>	<u>\$ 2</u>	<u>3</u>
Fund Balance:				
Beginning of year - July 1		<u>1,220</u>		<u>1,217</u>
End of year - June 30		<u>\$ 1,222</u>		<u>\$ 1,220</u>

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - FACADE PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 16	\$ 16	\$ 32
Expenditures:				
Economic Development:				
Facade grants	26,000	18,000	8,000	12,912
Revenues over (under) expenditures	(26,000)	(17,984)	8,016	(12,880)
Other Financing Sources (Uses):				
Appropriated fund balance	6,000	-	(6,000)	-
Transfer from General Fund	20,000	20,000	-	20,000
Total other financing sources (uses)	26,000	20,000	(6,000)	20,000
Net change in fund balance	\$ -	2,016	\$ 2,016	7,120
Fund Balance:				
Beginning of year - July 1		24,790		17,670
End of year - June 30		\$ 26,806		\$ 24,790

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - PEDESTRIAN PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Contribution from Pitt County	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Expenditures:					
Economic and Physical Development:					
Construction	10,000	-	-	-	10,000
Net change in fund balance	\$ -	\$ 10,000	-	\$ 10,000	\$ 10,000
Fund Balance:					
Beginning of year - July 1			10,000		
End of year - June 30			\$ 10,000		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - WAY FINDING PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ -	\$ 431	\$ 311	\$ 742	\$ 742
TDA contribution	10,000	-	-	-	(10,000)
Total revenues	<u>10,000</u>	<u>431</u>	<u>311</u>	<u>742</u>	<u>(9,258)</u>
Expenditures:					
Economic and Physical Development:					
Design	50,000	14,913	6,000	20,913	29,087
Installation	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
Total expenditures	<u>160,000</u>	<u>14,913</u>	<u>6,000</u>	<u>20,913</u>	<u>139,087</u>
Revenues over (under) expenditures	(150,000)	(14,482)	(5,689)	(20,171)	129,829
Other Financing Sources (Uses):					
Transfer from other funds	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 135,518</u>	<u>(5,689)</u>	<u>\$ 129,829</u>	<u>\$ 129,829</u>
Fund Balance:					
Beginning of year - July 1			<u>135,518</u>		
End of year - June 30			<u>\$ 129,829</u>		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - IDX IMPRESSIONS BUILDING REUSE GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Building Reuse Grant	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Contributions	8,500	-	-	-	(8,500)
Electricities Grant	4,000	2,500	-	2,500	(1,500)
Total revenues	<u>512,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>(510,000)</u>
Expenditures:					
Economic and Physical Development:					
Grant administration	12,500	2,500	-	2,500	10,000
Building reuse	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total expenditures	<u>512,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>510,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - MUNICIPAL PIER GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Public Access Grant funds	\$ 120,000	\$ -	\$ 120,000	\$ 120,000	\$ -
Expenditures:					
Economic and Physical Development:					
Construction	135,000	-	135,000	135,000	-
Revenues over (under) expenditures	(15,000)	-	(15,000)	(15,000)	-
Other Financing Sources (Uses):					
Transfer from other funds	15,000	15,000	-	15,000	-
Net change in fund balance	\$ -	\$ 15,000	(15,000)	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			15,000		
End of year - June 30			\$ -		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - FIRE STATION 1 EXHAUST SYSTEM GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
FEMA Grant funds	\$ 47,500	\$ 36,974	\$ 7,691	\$ 44,665	\$ (2,835)
Expenditures:					
Public Safety:					
Capital outlay	50,000	38,920	8,096	47,016	2,984
Revenues over (under) expenditures	(2,500)	(1,946)	(405)	(2,351)	149
Other Financing Sources (Uses):					
Transfer from other funds	2,500	2,500	-	2,500	-
Transfer to other funds	-	-	(149)	(149)	(149)
Total other financing sources (uses)	2,500	2,500	(149)	2,351	(149)
Net change in fund balance	\$ -	\$ 554	(554)	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			554		
End of year - June 30			\$ -		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - WASHINGTON DOWNTOWN PROPERTIES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Contributions	\$ 82,500	\$ 30,000	\$ 18,000	\$ 48,000	\$ (34,500)
Expenditures:					
Economic and Physical Development:					
Professional services	40,000	10,000	16,500	26,500	13,500
Legal	3,000	-	-	-	3,000
Engineering	19,500	-	8,376	8,376	11,124
Acquisition	23,000	23,000	-	23,000	-
Total expenditures	85,500	33,000	24,876	57,876	27,624
Revenues over (under) expenditures	(3,000)	(3,000)	(6,876)	(9,876)	(6,876)
Other Financing Sources (Uses):					
Transfer from other funds	3,000	3,000	6,876	9,876	6,876
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ -		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - TRILLIUM HEALTH RESOURCES GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Contributions	\$ 3,600	\$ -	\$ 3,600	\$ 3,600	\$ -
Trillium Play Together grant	280,556	-	279,798	279,798	(758)
Total revenues	<u>284,156</u>	<u>-</u>	<u>283,398</u>	<u>283,398</u>	<u>(758)</u>
Expenditures:					
Cultural and recreation:					
Playground equipment	<u>284,156</u>	<u>-</u>	<u>282,249</u>	<u>282,249</u>	<u>1,907</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,149	<u>\$ 1,149</u>	<u>\$ 1,149</u>
Fund Balance:					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 1,149</u>		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - HOTEL PROJECT - NEW AGE PROPERTIES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Rural Infrastructure grant	\$ 100,000	\$ -	\$ -	\$ -	\$ (100,000)
Developer contributions	101,400	-	214,400	214,400	113,000
Total revenues	<u>201,400</u>	<u>-</u>	<u>214,400</u>	<u>214,400</u>	<u>13,000</u>
Expenditures:					
Economic and Physical Development:					
Construction and administration	191,400	-	23,565	23,565	167,835
Contingency	15,000	-	-	-	15,000
Total expenditures	<u>206,400</u>	<u>-</u>	<u>23,565</u>	<u>23,565</u>	<u>192,335</u>
Revenues over (under) expenditures	(5,000)	-	190,835	190,835	205,335
Other Financing Sources (Uses):					
Transfer from other funds	<u>5,000</u>	<u>-</u>	<u>50</u>	<u>50</u>	<u>(4,950)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	190,885	<u>\$ 190,885</u>	<u>\$ 200,385</u>
Fund Balance:					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 190,885</u>		

CITY OF WASHINGTON, NORTH CAROLINA

CAPITAL PROJECT FUND - FINANCIAL AND UTILITY SOFTWARE PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Expenditures:					
General government:					
Software	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Revenues over (under) expenditures	(150,000)	-	-	-	150,000
Other Financing Sources (Uses):					
Transfer from other funds	150,000	-	150,000	150,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	150,000	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			<u>\$ 150,000</u>		

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Nonmajor Governmental Funds

Permanent Funds

Permanent Funds are used to account for the fiduciary relationship in which the trust corpus may not be expended but must be kept intact.

- Library Trust Fund - This fund is used to account for the corpus of the George H. and Laura E. Brown Trust which was transferred to the City for the benefit of the Brown Library. Interest earned on the corpus is paid to the General Fund to help defray a portion of the costs associated with the upkeep of the library.
- Cemetery Trust Fund - This fund is used to account for payments which have been received for the continued upkeep of certain lots within the City's two cemeteries. Interest earned on the corpus is paid to the Cemetery Fund to help defray a portion of the costs associated with the upkeep of the cemeteries.

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CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR PERMANENT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Library Fund	Cemetery Fund	Total Nonmajor Permanent Funds
Assets:			
Cash and investments	\$ 95,377	\$ 454,377	\$ 549,754
Accounts receivable, net	18	81	99
Total assets	<u>\$ 95,395</u>	<u>\$ 454,458</u>	<u>\$ 549,853</u>
Fund Balances:			
Non-spendable, not in spendable form:			
Perpetual maintenance - library care	\$ 95,377	\$ -	\$ 95,377
Perpetual maintenance - cemetery care	-	454,377	454,377
Restricted:			
Stabilization by State statute	18	81	99
Total fund balances	<u>95,395</u>	<u>454,458</u>	<u>549,853</u>
Total deferred inflows of resources and fund balances	<u>\$ 95,395</u>	<u>\$ 454,458</u>	<u>\$ 549,853</u>

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR PERMANENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Library Fund	Cemetery Fund	Total Nonmajor Permanent Funds
Revenues:			
Interest earnings	\$ 702	\$ 3,104	\$ 3,806
Expenditures:			
Current:			
Environmental protection	-	3,104	3,104
Cultural and recreation	702	-	702
Total expenditures	702	3,104	3,806
Net change in fund balances	-	-	-
Fund Balances:			
Beginning of year - July 1	95,395	454,458	549,853
End of year - June 30	\$ 95,395	\$ 454,458	\$ 549,853

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR PERMANENT FUND - LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earnings	\$ 800	\$ 702	\$ (98)	\$ 720
Expenditures:				
Administration	800	702	98	720
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund Balance:				
Beginning of year - July 1		<u>95,395</u>		<u>95,395</u>
End of year - June 30		<u>\$ 95,395</u>		<u>\$ 95,395</u>

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR PERMANENT FUND - CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Perpetual care fees	\$ -	\$ -	\$ -	\$ 24,200
Interest earnings	3,300	3,104	(196)	3,081
Total revenues	<u>3,300</u>	<u>3,104</u>	<u>(196)</u>	<u>27,281</u>
Expenditures:				
Administration	<u>3,300</u>	<u>3,104</u>	<u>196</u>	<u>2,803</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	24,478
Fund Balance:				
Beginning of year - July 1		<u>454,458</u>		<u>429,980</u>
End of year - June 30		<u>\$ 454,458</u>		<u>\$ 454,458</u>

Major Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government's council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or the government's council has decided that the periodic determination of net income is appropriate for accountability purposes.

- Water Fund - This fund is used to account for the City's water utility operations.
- Sewer Fund - This fund is used to account for the City's sewer utility operations.
- Electric Fund - This fund is used to account for the City's electric utility operations.
- Stormwater Utility Fund - This fund is used to account for the City's stormwater operations.
- Water Capital Reserve Fund - This fund is used to account for the accumulation of funds for future water fund capital outlays.
- EDA Water System Improvements Fund - This fund is used to account for the design and construction of water infrastructure improvements.
- Sewer Capital Reserve Fund - This fund is used to account for the accumulation of funds for future sewer fund capital outlays.
- EDA Sewer System Improvements Fund - This fund is used to account for the design and construction of sewer infrastructure improvements.
- CWSRF Sewer Grant Fund - This fund is used to account for sanitary rehabilitation financed by the Capitalization Grants for Clean Water State Revolving Fund.
- Recovery Zone Bond Stormwater Projects Fund - This fund is used to account for the accumulation of funds for storm water drainage improvements in the Jacks Creek, Cherry Run, and Runyon Creek drainage basins.

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CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Water sales	\$ 3,000,000	\$ 3,189,163	\$ 189,163	\$ 3,031,332
Other Operating Revenues:				
Connection and reconnection fees	41,000	44,887	3,887	49,687
Water taps	2,000	15,262	13,262	21,848
Fire hydrants	13,660	13,660	-	13,660
Late penalty charges	20,000	22,759	2,759	23,929
Total operating revenues	3,076,660	3,285,731	209,071	3,140,456
Non-Operating Revenues:				
Rents	17,457	20,076	2,619	16,075
Recovery of doubtful accounts	300	710	410	573
Interest earnings	8,000	11,394	3,394	12,690
Sale of surplus and scrap	-	566	566	5,396
Miscellaneous	1,000	6,519	5,519	4,963
Total non-operating revenues	26,757	39,265	12,508	39,697
Total revenues	3,103,417	3,324,996	221,579	3,180,153
Operating Expenditures:				
Water Administration:				
Public Works Director:				
Salaries and employee benefits	109,689	107,241	2,448	104,604
Supplies	1,300	1,288	12	637
Employee development	-	-	-	56
Telephone	575	424	151	379
Repair and maintenance	4,450	4,435	15	1,069
Professional services	10,000	4,150	5,850	-
Total Public Works Director	126,014	117,538	8,476	106,745
Miscellaneous - Non-Departmental:				
Workers' compensation	4,000	3,516	484	3,614
Unemployment wages	9,600	-	9,600	-
Insurance and bonds	38,000	35,964	2,036	37,541
Printing and publishing	3,100	2,410	690	1,886
Utility service fee - General Fund	486,130	486,130	-	477,798
Utility service fee - Electric Fund	162,095	162,095	-	107,060
Repair and maintenance	500	397	103	364
Contingency	10,000	-	10,000	-
Other expenses	6,676	12,224	(5,548)	70,274
Total miscellaneous - non-departmental	720,101	702,736	17,365	698,537
Total water administration	846,115	820,274	25,841	805,282

CITY OF WASHINGTON, NORTH CAROLINA

**ENTERPRISE FUND - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		2015
	Budget	Actual	Variance Over/Under
			Actual
Water Treatment and Distribution:			
Water Meter Services:			
Salaries and employee benefits	107,547	102,235	5,312
Telephone	1,661	1,671	(10)
Employee development	800	785	15
Repair and maintenance	106,500	103,048	3,452
Supplies	1,800	1,250	550
Materials	4,820	1,459	3,361
OSHA safety mandates	500	120	380
Professional services	2,100	1,518	582
Total water meter services	225,728	212,086	13,642
Water Treatment Plant:			
Salaries and employee benefits	514,211	469,680	44,531
OSHA safety mandates	2,500	1,968	532
Employee development	4,000	3,440	560
Telephone	4,762	4,762	-
Printing and publishing	1,000	533	467
Water and electric services	256,000	228,984	27,016
Repair and maintenance	166,750	148,158	18,592
Supplies	5,527	5,145	382
Chemicals and lab supplies	401,981	242,349	159,632
Dues and subscriptions	7,525	6,558	967
Professional services	15,500	13,640	1,860
Contract services	15,000	7,930	7,070
Employee advertisement	300	-	300
Total water treatment plant	1,395,056	1,133,147	261,909
Water Distribution Maintenance:			
Salaries and employee benefits	142,238	139,713	2,525
Contract services	86,459	86,458	1
Water and electric services	8,000	7,009	991
Employee advertising	-	-	-
Repair and maintenance	10,850	10,340	510
Supplies	1,450	1,441	9
Materials	13,875	13,875	-
Professional services	300	208	92
Total water distribution maintenance	263,172	259,044	4,128
Total water treatment and distribution	1,883,956	1,604,277	279,679
Capital outlay	255,372	224,775	30,597
Total operating expenditures	2,985,443	2,649,326	336,117

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	117,974	675,670	557,696	503,600
Other Financing Sources (Uses):				
Appropriated net position	47,212	-	(47,212)	-
Transfers to:				
Capital Project Fund	(18,182)	(18,182)	-	-
Water Capital Reserve Fund	(43,172)	(43,172)	-	(155,000)
Economic Development Fund	(31,869)	(31,869)	-	(28,646)
General Fund	(71,963)	(71,963)	-	(71,963)
Total other financing sources (uses)	(117,974)	(165,186)	(47,212)	(255,497)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 510,484	\$ 510,484	\$ 248,103
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 510,484		\$ 248,103
Capital outlay		224,775		236,762
Change in compensated absences		(4,060)		31,172
Change in OPEB liability		(8,423)		(7,247)
Depreciation		(700,495)		(693,568)
Bad debt provision		(6,324)		(9,318)
Inventory adjustment		(524)		945
Loss on disposal of capital assets		-		(1,150)
Capital contributions		11,920		-
Transfer to Water Capital Reserve Fund		43,172		155,000
Capital contributions, revenue from:				
Water Capital Reserve Fund		5,260		17,958
Water Capital Project Fund		769,313		68,798
Non-capitalized expenses from projects		(103,399)		-
Pension expense		(20,054)		(3,984)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		41,756		49,956
Change in net position		\$ 763,401		\$ 93,427

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Sewer sales	\$ 3,030,000	\$ 3,232,197	\$ 202,197	\$ 2,868,534
Other Operating Revenues:				
Sewer taps	2,500	10,525	8,025	9,303
Late penalty charges	24,500	26,261	1,761	26,863
Total operating revenues	3,057,000	3,268,983	211,983	2,904,700
Non-Operating Revenues:				
TAG Grant	-	-	-	35,000
Recovery of doubtful accounts	500	955	455	766
Interest earnings	10,000	11,052	1,052	11,977
Sewer assessments	7,181	7,181	-	8,397
Miscellaneous	-	4,148	4,148	5,496
Total non-operating revenues	17,681	23,336	5,655	61,636
Total revenues	3,074,681	3,292,319	217,638	2,966,336
Operating Expenditures:				
Sewer Administration:				
Public Works Director:				
Salaries and employee benefits	107,967	117,089	(9,122)	104,604
Supplies	415	367	48	381
Employee development	100	75	25	-
Dues and subscriptions	4,100	4,100	-	22
Telephone	600	424	176	379
Total Public Works Director	113,182	122,055	(8,873)	105,386
Miscellaneous - Non-Departmental:				
Workers' compensation	8,110	7,710	400	7,727
Printing and publishing	3,000	2,410	590	1,886
Insurance and bonds	45,500	36,540	8,960	40,176
Utility service fee - General Fund	538,077	538,077	-	535,466
Repair and maintenance	500	397	103	421
Other expenses	10,066	2,593	7,473	2,742
Utility service fee - Electric Fund	56,867	56,867	-	53,648
CDBG Clawback grant expenses	-	-	-	74,094
Total miscellaneous - non-departmental	662,120	644,594	17,526	716,160
Total sewer administration	775,302	766,649	8,653	821,546
Waste Collection and Treatment:				
Wastewater Treatment:				
Salaries and employee benefits	496,695	459,788	36,907	465,974
Employee advertising	400	32	368	628
Employee development	4,000	3,856	144	2,127
Telephone	1,000	740	260	584
Printing and publishing	1,000	25	975	90
Water and electric service	270,000	264,036	5,964	271,310

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Repair and maintenance	121,607	109,063	12,544	133,923
Supplies	113,612	78,485	35,127	75,278
Dues	6,600	6,039	561	5,756
Professional services	1,500	-	1,500	1,283
Contract services	112,700	85,327	27,373	96,407
Licenses and permits	7,050	5,560	1,490	6,910
OSHA safety mandates	2,575	2,572	3	2,541
Total wastewater treatment	1,138,739	1,015,523	123,216	1,062,811
Wastewater Collection Maintenance:				
Salaries and employee benefits	157,907	134,599	23,308	132,975
OSHA safety mandates	1,000	845	155	298
Employee development	1,000	894	106	670
Telephone	2,700	2,684	16	2,644
Repair and maintenance	14,140	10,343	3,797	13,128
Supplies	2,500	1,308	1,192	697
Materials	12,200	12,475	(275)	11,232
Contract services	75,000	35,534	39,466	62,595
Other expenses	4,500	4,207	293	-
Professional services	210	196	14	108
Total wastewater collection maintenance	271,157	203,085	68,072	224,347
Sewer Pumping Station:				
Salaries and employee benefits	65,964	64,495	1,469	63,476
Water and electrical service	155,100	155,084	16	158,780
Repair and maintenance	101,700	93,379	8,321	77,322
Supplies	4,350	2,906	1,444	3,358
Chemicals	1,000	119	881	7,830
Professional services	1,500	1,132	368	894
Total sewer pumping station	329,614	317,115	12,499	311,660
Total waste collection and treatment	1,739,510	1,535,723	203,787	1,598,818
Debt Service:				
General Obligation Bonds:				
Principal retirement	-	-	-	140,000
Interest	-	-	-	6,703
State Loan:				
Principal retirement	168,504	168,503	1	168,503
Interest	31,897	31,377	520	34,567
Total debt service	200,401	199,880	521	349,773

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Capital outlay	341,095	238,311	102,784	325,130
Total operating expenditures	3,056,308	2,740,563	315,745	3,095,267
Revenues over (under) expenditures	18,373	551,756	533,383	(128,931)
Other Financing Sources (Uses):				
Appropriated net position	72,210	-	(72,210)	-
Transfers from:				
Capital Project Fund	-	-	-	112
Transfer to:				
Economic Development Fund	(31,869)	(31,869)	-	(28,646)
Capital Project Fund	(18,182)	(18,182)	-	-
General Fund	(40,532)	(40,532)	-	(40,532)
Total other financing sources (uses)	(18,373)	(90,583)	(72,210)	(69,066)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 461,173	\$ 461,173	\$ (197,997)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 461,173		\$ (197,997)
Capital outlay		238,311		325,130
Capital contribution		11,614		-
Principal retirement		168,503		308,503
Change in compensated absences		(17,193)		39,538
Change in OPEB liability		(18,306)		(13,066)
Depreciation		(669,868)		(658,999)
Bad debt (provision) recovery		(9,732)		(16,497)
Inventory adjustment		629		1,239
Capital contributions, revenue from:				
Sewer Capital Reserve Fund		10,615		27,036
Sewer Capital Project Funds		747,274		81,048
Non-capitalized expenses from projects		(116,204)		-
Pension expense		(20,054)		(3,984)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		41,756		49,956
Change in net position		\$ 828,518		\$ (58,093)

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Electric sales	\$ 35,640,101	\$ 33,207,572	\$ (2,432,529)	\$ 36,042,181
Other Operating Revenues:				
Underground services	45,000	68,430	23,430	39,507
Reconnection fees	85,000	77,779	(7,221)	85,786
Facility connection fees	1,000	5,017	4,017	5,017
Pole attachment fees - cable TV	18,000	19,571	1,571	17,971
Connection fees	22,000	21,392	(608)	23,764
Late penalty charges	280,000	271,102	(8,898)	303,375
New construction fee	3,000	1,500	(1,500)	1,550
Total operating revenues	36,094,101	33,672,363	(2,421,738)	36,519,151
Non-Operating Revenues:				
Recovery of doubtful accounts	2,500	6,657	4,157	2,320
Interest earnings	25,000	41,324	16,324	31,428
Sale of surplus and scrap	28,000	23,421	(4,579)	35,856
Fines and meters	13,000	11,017	(1,983)	15,083
Miscellaneous	65,095	37,892	(27,203)	84,838
Total non-operating revenues	133,595	120,311	(13,284)	169,525
Total revenues	36,227,696	33,792,674	(2,435,022)	36,688,676
Operating Expenditures:				
Administration:				
Office of Electric Director:				
Salaries and employee benefits	291,485	265,494	25,991	268,878
Employee development	17,000	16,021	979	7,483
Professional services	49,400	49,382	18	32,590
Telephone	2,500	1,860	640	1,859
Printing and publishing	100	40	60	-
Maintenance	7,700	6,607	1,093	8,094
Supplies	4,500	3,777	723	4,117
Dues and subscriptions	1,000	501	499	498
Total Office of Electric Director	373,685	343,682	30,003	323,519
Miscellaneous - Non-Departmental:				
Printing and publishing	4,800	4,789	11	3,773
Dues and subscriptions	1,700	1,232	468	1,167
Insurance and bonds	112,550	112,535	15	121,138
Workers' compensation	55,500	54,258	1,242	90,208
Rents	18,000	18,000	-	18,000

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Maintenance	1,000	794	206	785
Utility service fee - General Fund	1,331,459	1,331,459	-	1,222,514
Utility Assistance Contribution	10,000	10,000	-	10,000
Other expenses	340,597	353,775	(13,178)	332,815
Total miscellaneous - non-departmental	1,875,606	1,886,842	(11,236)	1,800,400
 Total administration	 2,249,291	 2,230,524	 18,767	 2,123,919
 Utility Communications:				
Salaries and employee benefits	244,365	220,846	23,519	218,069
Employee development	74	-	74	100
Professional services	5,226	4,144	1,082	102
Telephone	12,800	12,275	525	16,898
Water and electric services	1,700	1,606	94	1,316
Maintenance	4,805	4,801	4	6,051
Supplies	2,095	2,085	10	1,756
Total utility communications	271,065	245,757	25,308	244,292
 Meter Services:				
Salaries and employee benefits	434,265	408,716	25,549	382,982
Employee advertising	200	44	156	-
Employee development	4,500	3,739	761	1,716
Telephone	3,500	3,418	82	2,432
Water and electric service	9,000	5,865	3,135	8,515
Maintenance	97,355	84,740	12,615	91,416
Supplies	2,500	2,328	172	3,337
Materials	6,200	5,955	245	2,087
Professional services	1,400	1,315	85	312
Other expenses	1,400	1,235	165	236
Insurance	-	-	-	1,081
Contract services	30,000	26,268	3,732	29,876
Reimbursement from other funds	(218,962)	(218,962)	-	(160,708)
Total meter services	371,358	324,661	46,697	363,282
 Power Line Maintenance:				
Salaries and employee benefits	876,822	838,916	37,906	836,492
Employee advertising	250	80	170	-
Employee development	14,650	14,632	18	19,694
Telephone	4,000	3,404	596	2,463
Water and electric service	7,800	7,712	88	7,183
Printing and publishing	200	120	80	-

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Maintenance	139,433	104,381	35,052	169,254
Supplies	55,000	53,559	1,441	45,416
Materials	163,500	164,431	(931)	127,696
Contract services	413,600	400,702	12,898	272,279
Professional services	10,000	9,626	374	10,290
Insurance	22,000	20,296	1,704	3,670
Other expenses	2,700	2,617	83	473
Total power line maintenance	1,709,955	1,620,476	89,479	1,494,910
Substation Maintenance:				
Salaries and employee benefits	161,510	159,750	1,760	202,294
Employee advertisement	164	-	164	-
Employee development	2,750	2,549	201	888
Professional services	36,300	33,005	3,295	15,654
Telephone	2,000	1,796	204	2,184
Water and electric service	25,000	22,841	2,159	24,618
Maintenance	112,225	100,264	11,961	184,167
Supplies	2,323	2,322	1	1,698
Contract services	10,000	9,705	295	11,595
Other expenses	20,787	10,124	10,663	27,374
Total substation maintenance	373,059	342,356	30,703	470,472
Load Management:				
Salaries and employee benefits	95,750	93,232	2,518	49,514
Employee advertisement	100	-	100	-
Employee development	1,000	278	722	30
Professional services	10,600	-	10,600	-
Supplies	500	224	276	264
Heat pump rebates	15,000	14,575	425	14,825
Maintenance	488,300	235,842	252,458	427,871
Materials	1,900	678	1,222	675
Marketing and promotions	20,000	20,000	-	16,307
Contract services	124,500	124,320	180	83,775
Total load management	757,650	489,149	268,501	593,261
Total electric operations	3,483,087	3,022,399	460,688	3,166,217
Electric power purchases	27,792,348	21,543,209	6,249,139	28,006,354
Capital outlay	3,324,376	2,393,719	930,657	2,064,291

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Installment Notes:				
Principal retirement	220,801	220,800	1	260,496
Interest	3,898	3,896	2	8,852
Total debt service	224,699	224,696	3	269,348
 Total operating expenditures	 37,073,801	 29,414,547	 7,659,254	 35,630,129
 Revenues over (under) expenditures	 (846,105)	 4,378,127	 5,224,232	 1,058,547
 Other Financing Sources (Uses):				
Appropriated net position	1,677,334	-	(1,677,334)	-
Transfers to:				
Capital Project fund	(63,636)	(63,636)	-	-
General Fund	(654,281)	(654,281)	-	(470,000)
Economic Development Capital Reserve Fund	(113,312)	(113,312)	-	(98,708)
Total other financing sources (uses)	846,105	(831,229)	(1,677,334)	(568,708)
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ 3,546,898	 \$ 3,546,898	 \$ 489,839
 Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 3,546,898		\$ 489,839
Capital outlay		2,393,719		2,064,291
Principal retirement		220,800		260,496
Change in compensated absences		32,603		5,330
Change in OPEB liability		(42,088)		(33,686)
Depreciation		(1,098,738)		(1,587,591)
Bad debt provision		2,842		(102,216)
Inventory adjustment		17,614		14,945
Capital contributions		-		35,700
Pension expense		(45,836)		(9,107)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		95,442		114,184
 Change in net position		 \$ 5,123,256		 \$ 1,252,185

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - STORMWATER UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for Sales and Services:				
Public works fees	\$ 560,000	\$ 586,445	\$ 26,445	\$ 502,192
Miscellaneous	-	52	52	75
Late penalty charges	3,500	4,377	877	3,498
Permit fees	6,000	2,000	(4,000)	5,000
Total operating revenues	569,500	592,874	23,374	510,765
Non-Operating Revenues:				
Interest earnings	76,837	71,413	(5,424)	78,319
Total revenues	646,337	664,287	17,950	589,084
Operating Expenditures:				
Professional services	21,296	18,131	3,165	49,805
Water and electric service	35,100	35,021	79	26,218
Maintenance and repairs	45,266	12,610	32,656	11,673
Supplies	2,200	1,143	1,057	2,065
Contracted services	8,400	7,772	628	7,772
Materials	6,134	5,629	505	5,458
Insurance	1,238	1,052	186	1,099
Miscellaneous	2,376	2,418	(42)	2,408
Total operating expenditures	122,010	83,776	38,234	106,498
Debt Service:				
Principal	333,334	333,333	1	333,333
Interest	167,417	166,703	714	183,036
Total debt service	500,751	500,036	715	516,369
Capital outlay	150,000	39,606	110,394	223
Total expenditures	772,761	623,418	149,343	623,090

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - STORMWATER UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(126,424)	40,869	167,293	(34,006)
Other Financing Sources (Uses):				
Appropriated net position	126,424	-	(126,424)	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 40,869</u>	<u>\$ 40,869</u>	<u>\$ (34,006)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 40,869		\$ (34,006)
Depreciation		(133,159)		(132,758)
Capital outlay		39,606		223
Principal retirement		333,333		333,333
Investment earnings from capital project fund		222		-
Bad debt expense (recoveries)		<u>(2,894)</u>		<u>(990)</u>
Change in net position		<u>\$ 277,977</u>		<u>\$ 165,802</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Water impact fees	\$ 5,000	\$ 4,713	\$ (287)	\$ 17,543
Investment earnings	-	547	547	415
Total revenues	<u>5,000</u>	<u>5,260</u>	<u>260</u>	<u>17,958</u>
Expenditures				
Reserved for future capital expenditures	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>5,260</u>	<u>5,260</u>	<u>17,958</u>
Other Financing Sources (Uses):				
Transfer from Water Fund	<u>-</u>	<u>43,172</u>	<u>43,172</u>	<u>155,000</u>
Total other financing sources (uses)	<u>-</u>	<u>43,172</u>	<u>43,172</u>	<u>155,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>48,432</u>	<u>\$ 43,432</u>	<u>172,958</u>
Fund Balance:				
Beginning of year - July 1		<u>230,682</u>		<u>57,724</u>
End of year - June 30		<u>\$ 279,114</u>		<u>\$ 230,682</u>

This fund is consolidated into the Water Fund.

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - EDA WATER SYSTEM IMPROVEMENTS

WATER CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
EDA Grant funds	\$ 722,129	\$ 84,030	\$ 769,313	\$ 853,343	\$ 131,214
Expenditures:					
Water Line:					
Administrative and legal	10,280	179	12,180	12,359	(2,079)
Construction	818,119	75,524	709,823	785,347	32,772
Contingency	949	-	-	-	949
Total Water Line expenditures	829,348	75,703	722,003	797,706	31,642
Liquid Chlorine:					
Administrative and legal	3,068	-	3,688	3,688	(620)
Architectural and engineering	42,970	27,839	15,131	42,970	-
Other Architectural and engineering	10,004	8,962	1,042	10,004	-
Project inspection fees	30,571	8,083	22,488	30,571	-
Construction	512,301	45,611	313,104	358,715	153,586
Total Liquid Chlorine expenditures	598,914	90,495	355,453	445,948	152,966
Total expenditures	1,428,262	166,198	1,077,456	1,243,654	184,608
Revenues over (under) expenditures	(706,133)	(82,168)	(308,143)	(390,311)	315,822
Other Financing Sources (Uses):					
Transfer from other funds	706,133	706,133	-	706,133	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 623,965	(308,143)	\$ 315,822	\$ 315,822
Fund Balance:					
Beginning of year, July 1			623,965		
End of year, June 30			\$ 315,822		

This fund is consolidated into the Water Fund.

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Sewer impact fees	\$ 10,000	\$ 10,566	\$ 566	\$ 26,970
Investment earnings	-	49	49	66
Total revenues	<u>10,000</u>	<u>10,615</u>	<u>615</u>	<u>27,036</u>
Expenditures				
Reserved for future capital expenditures	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>10,615</u>	<u>\$ 10,615</u>	<u>27,036</u>
Fund Balance:				
Beginning of year - July 1		<u>47,444</u>		<u>20,408</u>
End of year - June 30		<u>\$ 58,059</u>		<u>\$ 47,444</u>

This fund is consolidated into the Sewer Fund.

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - EDA SEWER SYSTEM IMPROVEMENTS

SEWER CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

			Actual		
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
EDA Grant funds	\$ 719,920	\$ 144,011	\$ 747,267	\$ 891,278	\$ 171,358
Investment earnings	-	-	7	7	7
Total revenues	719,920	144,011	747,274	891,285	171,365
Expenditures:					
Cherry Run:					
Administrative and legal	1,070	183	1,103	1,286	(216)
Architectural and engineering	10,971	10,250	721	10,971	-
Other architectural and engineering	3,488	3,124	364	3,488	-
Project inspection fees	6,649	2,818	3,831	6,649	-
Construction	119,642	11,045	84,053	95,098	24,544
Total Cherry Run expenditures	141,820	27,420	90,072	117,492	24,328
Generator:					
Administrative and legal	5,066	-	6,090	6,090	(1,024)
Architectural and engineering	51,969	50,118	1,851	51,969	-
Other architectural and engineering	16,520	14,799	1,721	16,520	-
Project inspection fees	31,494	13,347	18,146	31,493	1
Construction	558,603	51,567	367,489	419,056	139,547
Total Generator expenditures	663,652	129,831	395,297	525,128	138,524
Water and Bonner:					
Administrative and legal	5,516	480	6,152	6,632	(1,116)
Architectural and engineering	75,089	52,871	22,210	75,081	8
Other architectural and engineering	17,989	16,115	1,874	17,989	-
Project inspection fees	52,792	24,456	28,329	52,785	7
Construction	364,626	33,660	327,204	360,864	3,762
Contingency	102,410	-	-	-	102,410
Total Water and Bonner	618,422	127,582	385,769	513,351	105,071
Total expenditures	1,423,894	284,833	871,138	1,155,971	267,923
Revenues over (under) expenditures	(703,974)	(140,822)	(123,864)	(264,686)	439,288
Other Financing Sources (Uses):					
Transfer from other funds	703,974	703,974	-	703,974	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 563,152	(123,864)	\$ 439,288	\$ 439,288
Fund Balance:					
Beginning of year, July 1			563,152		
End of year, June 30			\$ 439,288		

This fund is consolidated into the Sewer Fund.

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - CWSRF SEWER GRANT
 SEWER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
Clean Water State Revolving Loan principal forgiveness	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Expenditures:					
Construction	1,698,000	-	40,383	40,383	1,657,617
Loan fee	2,000	-	-	-	2,000
Engineering	300,000	-	124,950	124,950	175,050
Total expenditures	2,000,000	-	165,333	165,333	1,834,667
Revenues over (under) expenditures	(1,500,000)	-	(165,333)	(165,333)	1,334,667
Other Financing Sources (Uses):					
Long-term debt issued	1,500,000	-	-	-	(1,500,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	(165,333)	\$ (165,333)	\$ (165,333)
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ (165,333)		

This fund is consolidated into the Sewer Fund.

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - RECOVERY ZONE BOND
STORMWATER PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Actual				
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ 12,039	\$ 11,894	\$ 222	\$ 12,116	\$ 77
Expenditures:					
Economic and Physical Development:					
Professional services	40,445	40,445	-	40,445	-
Engineering	526,632	526,631	-	526,631	1
Construction	4,288,674	4,128,452	-	4,128,452	160,222
Easement acquisition	156,288	156,288	-	156,288	-
Total expenditures	5,012,039	4,851,816	-	4,851,816	160,223
Revenues over (under) expenditures	(5,000,000)	(4,839,922)	222	(4,839,700)	160,300
Other Financing Sources (Uses):					
Long-term debt issued	5,000,000	5,000,000	-	5,000,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 160,078	222	\$ 160,300	\$ 160,300
Fund Balance:					
Beginning of year, July 1			160,078		
End of year, June 30			\$ 160,300		

This fund is consolidated into the Stormwater Fund

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government's council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or the government's council has decided that the periodic determination of net income is appropriate for accountability purposes.

- Warren Field Airport Fund - This fund is used to account for the operations of the City's airfield operations.
- Airport Terminal Capital Project Fund - This fund is used to account for the construction of the airport terminal.
- Airport Rehabilitation Capital Project Fund - This fund is used to account for the rehabilitation projects at the airport.
- Solid Waste Fund - This fund is used to account for the operations of the City's solid waste operations.
- Cemetery Fund - This fund is used to account for the operations of the City's cemetery operations.

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CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF FUND NET POSITION

JUNE 30, 2016

	Warren Field Airport Fund	Solid Waste Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
Assets:				
Current Assets:				
Cash and investments	\$ 102,405	\$ 444,896	\$ 28,129	\$ 575,430
Accounts receivable, net	30,617	170,374	9,832	210,823
Inventory	19,276	-	-	19,276
Total current assets	<u>152,298</u>	<u>615,270</u>	<u>37,961</u>	<u>805,529</u>
Non-Current Assets:				
Capital Assets:				
Non-depreciable capital assets	1,710,587	-	-	1,710,587
Other capital assets, net of accumulated depreciation	2,645,147	335,813	126,098	3,107,058
Total non-current assets	<u>4,355,734</u>	<u>335,813</u>	<u>126,098</u>	<u>4,817,645</u>
Total assets	<u>4,508,032</u>	<u>951,083</u>	<u>164,059</u>	<u>5,623,174</u>
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	<u>-</u>	<u>35,791</u>	<u>11,930</u>	<u>47,721</u>
Liabilities:				
Current Liabilities:				
Accounts payable and accrued liabilities	4,413	35,946	6,525	46,884
Due to other funds	16,934	-	-	16,934
Current portion of installment notes	-	-	7,245	7,245
Current portion of compensated absences	1,850	41,367	12,936	56,153
Total current liabilities	<u>23,197</u>	<u>77,313</u>	<u>26,706</u>	<u>127,216</u>
Non-Current Liabilities:				
Net pension liability	-	50,630	16,877	67,507
Non-current portion of installment notes	-	-	4,877	4,877
Non-current portion of OPEB liability	-	93,681	48,562	142,243
Total non-current liabilities	<u>-</u>	<u>144,311</u>	<u>70,316</u>	<u>214,627</u>
Total liabilities	<u>23,197</u>	<u>221,624</u>	<u>97,022</u>	<u>341,843</u>
Deferred Inflows of Resources:				
Pension deferrals	<u>-</u>	<u>32,826</u>	<u>10,942</u>	<u>43,768</u>
Net Position:				
Net investment in capital assets	4,355,734	335,813	113,976	4,805,523
Unrestricted	129,101	396,611	(45,951)	479,761
Total net position	<u>\$ 4,484,835</u>	<u>\$ 732,424</u>	<u>\$ 68,025</u>	<u>\$ 5,285,284</u>

CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Warren Field Airport Fund	Solid Waste Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for sales and services	\$ 237,097	\$ 1,321,025	\$ 202,128	\$ 1,760,250
Miscellaneous	3,387	1,442	2,102	6,931
Total operating revenues	<u>240,484</u>	<u>1,322,467</u>	<u>204,230</u>	<u>1,767,181</u>
Operating Expenditures:				
Operations	321,271	1,174,311	306,204	1,801,786
Depreciation	75,350	61,733	9,558	146,641
Total operating expenditures	<u>396,621</u>	<u>1,236,044</u>	<u>315,762</u>	<u>1,948,427</u>
Operating income (loss)	<u>(156,137)</u>	<u>86,423</u>	<u>(111,532)</u>	<u>(181,246)</u>
Non-Operating Revenues (Expenditures):				
Investment earnings	265	892	241	1,398
Solid waste disposal tax	-	6,137	-	6,137
Interest expense	-	(192)	(218)	(410)
Total non-operating revenues (expenditures)	<u>265</u>	<u>6,837</u>	<u>23</u>	<u>7,125</u>
Income (loss) before capital contributions and transfers	(155,872)	93,260	(111,509)	(174,121)
Capital Contributions and Transfers:				
Capital contributions	<u>365,508</u>	<u>-</u>	<u>-</u>	<u>365,508</u>
Change in net position	209,636	93,260	(111,509)	191,387
Net Position:				
Beginning of year - July 1	<u>4,275,199</u>	<u>639,164</u>	<u>179,534</u>	<u>5,093,897</u>
End of year - June 30	<u>\$ 4,484,835</u>	<u>\$ 732,424</u>	<u>\$ 68,025</u>	<u>\$ 5,285,284</u>

CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Warren Field Airport Fund	Solid Waste Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 313,168	\$ 1,294,022	\$ 200,294	\$ 1,807,484
Cash paid to employees	(44,832)	(537,639)	(211,012)	(793,483)
Cash paid to suppliers	(284,222)	(642,682)	(93,495)	(1,020,399)
Net cash provided (used) by operating activities	<u>(15,886)</u>	<u>113,701</u>	<u>(104,213)</u>	<u>(6,398)</u>
Cash Flows from Non-Capital Financing Activities:				
Payments to/from other funds	<u>16,934</u>	<u>-</u>	<u>-</u>	<u>16,934</u>
Cash Flows from Capital and Related Financing Activities:				
Interest expense	-	(192)	(218)	(410)
Acquisition of capital assets	(518,871)	-	(26,307)	(545,178)
Principal payments on long-term debt	-	(17,703)	(7,147)	(24,850)
Capital contributions	<u>365,508</u>	<u>6,137</u>	<u>-</u>	<u>371,645</u>
Net cash provided (used) by capital and related financing activities	<u>(153,363)</u>	<u>(11,758)</u>	<u>(33,672)</u>	<u>(198,793)</u>
Cash Flows from Investing Activities:				
Investment earnings	<u>265</u>	<u>892</u>	<u>241</u>	<u>1,398</u>
Net increase (decrease) in cash and cash equivalents/investments	(152,050)	102,835	(137,644)	(186,859)
Cash and Cash Equivalents/Investments:				
Beginning of year - July 1	<u>254,455</u>	<u>342,061</u>	<u>165,773</u>	<u>762,289</u>
End of year - June 30	<u>\$ 102,405</u>	<u>\$ 444,896</u>	<u>\$ 28,129</u>	<u>\$ 575,430</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (156,137)	\$ 86,423	\$ (111,532)	\$ (181,246)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	75,350	61,733	9,558	146,641
Pension expense	-	(17,188)	(5,729)	(22,917)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	72,761	(28,445)	(3,936)	40,380
(Increase) decrease in inventory	4,256	-	-	4,256
(Increase) decrease in deferred outflows of resources for pensions	-	7,028	2,343	9,371
Increase (decrease) in accounts payable and accrued liabilities	(12,586)	(3,851)	(1,572)	(18,009)
Increase (decrease) in compensated absences payable	470	(391)	15	94
Increase (decrease) in OPEB liability	<u>-</u>	<u>8,392</u>	<u>6,640</u>	<u>15,032</u>
Net cash provided (used) by operating activities	<u>\$ (15,886)</u>	<u>\$ 113,701</u>	<u>\$ (104,213)</u>	<u>\$ (6,398)</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WARREN FIELD AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for Sales and Services:				
Fuel sales	\$ 168,100	\$ 169,064	\$ 964	\$ 146,975
Rentals	77,105	68,033	(9,072)	59,920
Miscellaneous revenue	-	3,387	3,387	4,144
Total operating revenues	<u>245,205</u>	<u>240,484</u>	<u>(4,721)</u>	<u>211,039</u>
Non-Operating Revenues:				
Interest earnings	400	234	(166)	498
Grant funds	<u>157,866</u>	<u>2,068</u>	<u>(155,798)</u>	<u>14,161</u>
Total non-operating revenues	<u>158,266</u>	<u>2,302</u>	<u>(155,964)</u>	<u>14,659</u>
Total revenues	<u>403,471</u>	<u>242,786</u>	<u>(160,685)</u>	<u>225,698</u>
Operating Expenditures:				
Salaries and employee benefits	68,422	64,684	3,738	62,949
Professional services	1,120	44	1,076	188
Utilities	23,092	21,121	1,971	19,179
Fuel purchases	131,200	116,552	14,648	121,547
Maintenance and repairs	47,380	34,802	12,578	61,491
Supplies	1,970	1,918	52	2,826
Contracted services	18,580	12,401	6,179	12,077
Equipment rental	8,400	8,400	-	8,400
Miscellaneous	3,325	3,290	35	3,531
Insurance	16,000	15,326	674	16,372
Utility service fee - General Fund	<u>22,113</u>	<u>22,113</u>	<u>-</u>	<u>14,261</u>
Total	<u>341,602</u>	<u>300,651</u>	<u>40,951</u>	<u>322,821</u>
Capital outlay	<u>175,447</u>	<u>8,532</u>	<u>166,915</u>	<u>15,734</u>
Total expenditures	<u>517,049</u>	<u>309,183</u>	<u>207,866</u>	<u>338,555</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WARREN FIELD AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(113,578)	(66,397)	47,181	(112,857)
Other Financing Sources (Uses):				
Appropriated net position	113,578	-	(113,578)	-
Transfer to Airport capital project funds	-	-	-	(9,901)
Transfers from General Fund	-	-	-	91,164
Total other financing sources (uses)	113,578	-	(113,578)	81,263
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (66,397)	\$ (66,397)	\$ (31,594)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (66,397)		\$ (31,594)
Capital outlay		8,532		15,734
Depreciation		(75,350)		(80,732)
Change in compensated absences		(470)		(1,265)
Transfer from other funds - project		-		9,901
Capital contributions, grant revenue from projects		363,440		639,267
Interest earnings from projects		31		584
Non-capitalized expenses from projects		(20,150)		(10,000)
Change in net position		\$ 209,636		\$ 541,895

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - AIRPORT TERMINAL
 WARREN FIELD AIRPORT CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
Federal grants - Airport Improvements Grant	\$ 500,000	\$ 498,200	\$ 1,800	\$ 500,000	-
State grants - Airport Improvements Grant	298,971	296,313	2,659	298,972	1
Interest earnings	804	771	31	802	(2)
Insurance proceeds	130,702	130,703	-	130,703	1
Total revenues	930,477	925,987	4,490	930,477	-
Expenditures:					
Professional services	223,305	190,252	33,053	223,305	-
Construction	924,494	832,671	91,823	924,494	-
Rental building	30,150	30,150	-	30,150	-
Furnishings	77,728	70,983	6,745	77,728	-
Total expenditures	1,255,677	1,124,056	131,621	1,255,677	-
Revenues over (under) expenditures	(325,200)	(198,069)	(127,131)	(325,200)	-
Other Financing Sources (Uses):					
Transfer from other funds	325,200	325,200	-	325,200	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 127,131	(127,131)	\$ -	\$ -
Fund Balance:					
Beginning of year, July 1			127,131		
End of year, June 30			\$ -		

This fund is consolidated into the Warren Field Airport Fund

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - AIRPORT REHABILITATION
 WARREN FIELD AIRPORT CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
State grant funds	\$ 325,000	\$ 36,341	\$ 288,658	\$ 324,999	\$ (1)
Federal grant funds	89,109	4,224	70,323	74,547	(14,562)
Total revenues	<u>414,109</u>	<u>40,565</u>	<u>358,981</u>	<u>399,546</u>	<u>(14,563)</u>
Expenditures:					
Professional services	109,466	45,071	59,144	104,215	5,251
Airport rehabilitation	<u>350,655</u>	<u>-</u>	<u>339,724</u>	<u>339,724</u>	<u>10,931</u>
Total expenditures	<u>460,121</u>	<u>45,071</u>	<u>398,868</u>	<u>443,939</u>	<u>16,182</u>
Revenues over (under) expenditures	(46,012)	(4,506)	(39,887)	(44,393)	1,619
Other Financing Sources (Uses):					
Transfer from other funds	<u>46,012</u>	<u>46,012</u>	<u>-</u>	<u>46,012</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 41,506</u>	<u>(39,887)</u>	<u>\$ 1,619</u>	<u>\$ 1,619</u>
Fund Balance:					
Beginning of year, July 1			<u>41,506</u>		
End of year, June 30			<u>\$ 1,619</u>		

This fund is consolidated into the Warren Field Airport Fund.

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for Sales and Services:				
Garbage collection fees	\$ 1,294,000	\$ 1,326,030	\$ 32,030	\$ 1,242,040
Miscellaneous revenues	-	1,442	1,442	14,593
Total operating revenues	1,294,000	1,327,472	33,472	1,256,633
Non-Operating Revenues:				
Interest earnings	800	892	92	879
Disposal tax	5,500	6,137	637	6,178
Total non-operating revenues	6,300	7,029	729	7,057
Total revenues	1,300,300	1,334,501	34,201	1,263,690
Operating Expenditures:				
Salaries and employee benefits	559,712	554,083	5,629	578,828
Utilities	552	551	1	503
County tipping fees	240,468	240,460	8	228,007
Employee development	208	207	1	56
Maintenance and repairs	146,579	148,000	(1,421)	128,753
Supplies	1,200	956	244	1,557
Materials	19,443	19,114	329	13,537
Miscellaneous	5,481	5,182	299	4,887
Insurance	15,661	15,661	-	11,385
Contingency	2,364	-	2,364	-
Workers' compensation	6,000	5,471	529	5,504
Utility service fee - General Fund	195,229	195,229	-	196,621
Total operating expenditures	1,192,897	1,184,914	7,983	1,169,638
Debt Service:				
Principal	17,703	17,703	-	23,149
Interest	192	192	-	786
Total debt service	17,895	17,895	-	23,935
Capital outlay	-	-	-	51,042
Total expenditures	1,210,792	1,202,809	7,983	1,244,615

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	89,508	131,692	42,184	19,075
Other Financing Sources (Uses):				
Transfer to other funds	(89,508)	-	89,508	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 131,692</u>	<u>\$ 131,692</u>	<u>\$ 19,075</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 131,692		\$ 19,075
Depreciation		(61,733)		(79,015)
Capital outlay		-		51,042
Principal retirement		17,703		23,149
Change in compensated absences		391		13,149
Change in OPEB liability		(8,392)		(4,729)
Bad debt expense (recoveries)		(5,004)		(5,994)
Pension expense		(17,188)		(3,415)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		<u>35,791</u>		<u>42,819</u>
Change in net position		<u>\$ 93,260</u>		<u>\$ 56,081</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - CEMETERY FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for Sales and Services:				
Sale of cemetery plots	\$ 85,000	\$ 74,079	\$ (10,921)	\$ 82,961
Cemetery grave openings	121,000	111,745	(9,255)	114,275
Administrative charges	2,000	16,304	14,304	2,803
Total operating revenues	208,000	202,128	(5,872)	200,039
Non-Operating Revenues:				
Interest earnings	150	241	91	435
Miscellaneous	-	2,102	2,102	-
Total non-operating revenues	150	2,343	2,193	435
Total revenues	208,150	204,471	(3,679)	200,474
Operating Expenditures:				
Salaries and employee benefits	217,415	214,281	3,134	210,761
Other operating expenditures	19,723	18,475	1,248	26,354
Maintenance and repairs	13,312	13,584	(272)	15,242
Utility service fee - General Fund	21,963	21,963	-	20,045
Total operating expenditures	272,413	268,303	4,110	272,402
Debt Service:				
Principal	7,148	7,147	1	7,051
Interest	219	218	1	314
Total debt service	7,367	7,365	2	7,365
Capital outlay	64,248	63,754	494	53,696
Total expenditures	344,028	339,422	4,606	333,463
Revenues over (under) expenditures	(135,878)	(134,951)	927	(132,989)
Other Financing Sources (Uses):				
Transfer from General Fund	-	-	-	165,040
Appropriated net position	135,878	-	(135,878)	-
Total other financing sources (uses)	135,878	-	(135,878)	165,040
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (134,951)	\$ (134,951)	\$ 32,051

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - CEMETERY FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Reconciliation from Budgetary Basis				
(Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (134,951)		\$ 32,051
Depreciation		(9,558)		(6,992)
Capital outlay		26,307		53,696
Principal retirement		7,147		7,051
Change in compensated absences		(15)		(266)
Change in OPEB liability		(6,640)		(6,295)
Pension expense		(5,729)		(1,138)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		11,930		14,273
Change in net position		<u>\$ (111,509)</u>		<u>\$ 92,380</u>

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Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department for agencies of the City on a cost reimbursement basis.

Workers' Compensation Reserve Fund - This fund is used to finance and account for the City's workers' compensation insurance program.

Vehicle Replacement Reserve Fund - This fund is used to finance and account for the City's General Fund vehicle replacements.

Facility Maintenance Reserve Fund - This fund is used to finance and account for maintenance and rehabilitation of City facilities.

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CITY OF WASHINGTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF FUND NET POSITION

JUNE 30, 2016

	Workers' Compensation Reserve Fund	Vehicle Replacement Fund	Facility Maintenance Fund	Total
Assets:				
Current Assets:				
Cash and investments	\$ 1,004,836	\$ 412,600	\$ 501,067	\$ 1,918,503
Accounts receivable, net	122	1,232	-	1,354
Total current assets	<u>1,004,958</u>	<u>413,832</u>	<u>501,067</u>	<u>1,919,857</u>
Non-Current Assets:				
Capital Assets:				
Other capital assets, net of accumulated depreciation	-	1,276,949	-	1,276,949
Total assets	<u>1,004,958</u>	<u>1,690,781</u>	<u>501,067</u>	<u>3,196,806</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>119,664</u>	<u>37,889</u>	<u>-</u>	<u>157,553</u>
Net Position:				
Net investment in capital assets	-	1,276,949	-	1,276,949
Unrestricted	<u>885,294</u>	<u>375,943</u>	<u>501,067</u>	<u>1,762,304</u>
Total net position	<u>\$ 885,294</u>	<u>\$ 1,652,892</u>	<u>\$ 501,067</u>	<u>\$ 3,039,253</u>

CITY OF WASHINGTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Workers' Compensation Reserve Fund	Vehicle Replacement Fund	Facility Maintenance Fund	Total
Operating Revenues:				
Charges for sales and services	\$ 94,000	\$ 390,500	\$ -	\$ 484,500
Operating Expenses:				
Insurance claims	8,549	-	-	8,549
Vehicle replacement costs	-	760	-	760
Total operating expenses	8,549	760	-	9,309
Operating income (loss)	85,451	389,740	-	475,191
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	-	26,587	-	26,587
Investment earnings	5,428	2,628	1,067	9,123
Total non-operating revenues (expenses)	5,428	29,215	1,067	35,710
Change in net position	90,879	418,955	1,067	510,901
Net Position:				
Beginning of year - July 1	794,415	1,233,937	500,000	2,528,352
End of year - June 30	\$ 885,294	\$ 1,652,892	\$ 501,067	\$ 3,039,253

CITY OF WASHINGTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Workers' Compensation Reserve Fund	Vehicle Replacement Fund	Facility Maintenance Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 94,006	\$ 415,855	\$ -	\$ 509,861
Cash paid to employees for services	(143,977)	-	-	(143,977)
Cash paid to suppliers	-	37,129	-	37,129
Net cash provided (used) by operating activities	<u>(49,971)</u>	<u>452,984</u>	<u>-</u>	<u>403,013</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	-	(1,276,949)	-	(1,276,949)
Cash Flows From Investing Activities:				
Investment earnings	<u>5,428</u>	<u>2,628</u>	<u>1,067</u>	<u>9,123</u>
Net increase (decrease) in cash and cash equivalents/investments	(44,543)	(821,337)	1,067	(864,813)
Cash and Cash Equivalents/Investments:				
Beginning of year - July 1	<u>1,049,379</u>	<u>1,233,937</u>	<u>500,000</u>	<u>2,783,316</u>
End of year - June 30	<u>\$ 1,004,836</u>	<u>\$ 412,600</u>	<u>\$ 501,067</u>	<u>\$ 1,918,503</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 85,451	\$ 389,740	\$ -	\$ 475,191
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	6	(1,232)	-	(1,226)
Increase (decrease) in accounts payable and accrued liabilities	(135,428)	64,476	-	(70,952)
Net cash provided (used) by operating activities	<u>\$ (49,971)</u>	<u>\$ 452,984</u>	<u>\$ -</u>	<u>\$ 403,013</u>

CITY OF WASHINGTON, NORTH CAROLINA

INTERNAL SERVICE FUND
 WORKERS' COMPENSATION RESERVE
 SCHEDULE OF REVENUES AND EXPENDITURES
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Contributions from employer	\$ 94,000	\$ 94,000	\$ -
Operating Expenditures:			
Workers' compensation claims	94,000	8,549	85,451
Operating income (loss)	-	85,451	(85,451)
Non-Operating Revenues:			
Investment earnings	-	5,428	5,428
Change in net position	<u>\$ -</u>	90,879	<u>\$ 90,879</u>
Net Position:			
Beginning of year - July 1		<u>794,415</u>	
End of year - June 30		<u>\$ 885,294</u>	

CITY OF WASHINGTON, NORTH CAROLINA

INTERNAL SERVICE FUND
 VEHICLE REPLACEMENT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 387,000	\$ 390,500	\$ 3,500
Non-Operating Revenues:			
Miscellaneous revenue	-	26,587	26,587
Investment earnings	-	2,628	2,628
Total non-operating revenues	-	29,215	29,215
Total revenues	387,000	419,715	32,715
Operating Expenditures:			
Vehicle replacement costs	1,337,000	1,277,709	59,291
Revenues over (under) expenditures	(950,000)	(857,994)	92,006
Other Financing Sources (Uses):			
Contingency			
Appropriated net position	950,000	-	(950,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (857,994)	\$ (857,994)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (857,994)	
Capital outlay		1,276,949	
Change in net position		<u>\$ 418,955</u>	

CITY OF WASHINGTON, NORTH CAROLINA

INTERNAL SERVICE FUND
 FACILITY MAINTENANCE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Non-Operating Revenues:			
Investment earnings	\$ 500	\$ 1,067	\$ 567
Other Financing Sources (Uses):			
Contingency	<u>(500)</u>	<u>-</u>	<u>500</u>
Change in net position	<u>\$ -</u>	<u>1,067</u>	<u>\$ 1,067</u>
Net Position:			
Beginning of year - July 1		<u>500,000</u>	
End of year - June 30		<u>\$ 501,067</u>	

Additional Financial Data

This section contains additional information on property taxes, interfund transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

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CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2016

Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 4,292,889	\$ 4,188,499	\$ 104,390
2014-2015	112,669	-	81,753	30,916
2013-2014	58,561	-	23,978	34,583
2012-2013	32,202	-	(1,794)	33,996
2011-2012	25,048	-	3,298	21,750
2010-2011	15,048	-	1,208	13,840
2009-2010	17,089	-	(1,542)	18,631
2008-2009	17,343	-	631	16,712
2007-2008	21,677	-	544	21,133
2006-2007	18,621	-	-	18,621
2005-2006	11,158	-	11,158	-
Total	<u>\$ 329,416</u>	<u>\$ 4,292,889</u>	<u>\$ 4,307,733</u>	314,572
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(136,070)</u>
Ad Valorem Taxes Receivable, Net:				
General Fund				<u>\$ 178,502</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund				\$ 4,340,445
Refunds				5,758
Penalties and interest collected				<u>(38,470)</u>
Total collections and credits				<u>\$ 4,307,733</u>

CITY OF WASHINGTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2016

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy	\$ 858,175,600	0.50	\$ 4,290,878	\$ 3,915,967	\$ 374,911
Discoveries	7,312,600	0.50	36,563	36,563	-
Abatements	(6,910,400)	0.50	(34,552)	(34,552)	-
Total property valuation	<u>\$ 858,577,800</u>				
Net Levy			4,292,889	3,917,978	374,911
Uncollected taxes at June 30, 2016			<u>104,390</u>	<u>102,108</u>	<u>2,282</u>
Current Year's Taxes Collected			<u>\$ 4,188,499</u>	<u>\$ 3,815,870</u>	<u>\$ 372,629</u>
Current Levy Collection Percentage			97.57%	97.39%	99.39%

Statistical Section

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CITY OF WASHINGTON, NORTH CAROLINA

NET POSITON BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 16,880,415	\$ 18,610,980	\$ 18,447,771	\$ 19,346,037	\$ 18,103,256	\$ 19,310,212	\$ 20,350,145	\$ 17,557,469	\$ 17,321,458	\$ 18,512,443
Restricted	610,356	718,443	749,958	802,414	2,960,002	3,070,972	2,411,242	2,677,773	2,373,008	2,798,041
Unrestricted	10,347,583	9,159,353	9,814,379	8,836,625	6,206,219	6,317,546	6,700,404	6,770,380	6,194,333	5,698,464
Total governmental activities net position	<u>\$ 27,838,354</u>	<u>\$ 28,488,776</u>	<u>\$ 29,012,108</u>	<u>\$ 28,985,076</u>	<u>\$ 27,269,477</u>	<u>\$ 28,698,730</u>	<u>\$ 29,461,791</u>	<u>\$ 27,005,622</u>	<u>\$ 25,888,799</u>	<u>\$ 27,008,948</u>
Business-type activities										
Net investment in capital assets	\$ 51,148,821	\$ 52,099,287	\$ 56,442,379	\$ 57,884,865	\$ 59,355,152	\$ 60,476,100	\$ 61,070,809	\$ 62,593,894	\$ 64,051,002	\$ 67,569,334
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	10,382,263	11,541,166	10,157,327	11,125,031	13,195,618	13,476,598	13,520,587	13,370,623	13,441,414	17,107,621
Total business-type activities	<u>\$ 61,531,084</u>	<u>\$ 63,640,453</u>	<u>\$ 66,599,706</u>	<u>\$ 69,009,896</u>	<u>\$ 72,550,770</u>	<u>\$ 73,952,698</u>	<u>\$ 74,591,396</u>	<u>\$ 75,964,517</u>	<u>\$ 77,492,416</u>	<u>\$ 84,676,955</u>
Primary government										
Net investment in capital assets	\$ 68,029,236	\$ 70,710,267	\$ 74,890,150	\$ 77,230,902	\$ 77,458,408	\$ 79,786,312	\$ 81,420,954	\$ 80,151,363	\$ 81,372,460	\$ 86,081,777
Restricted	610,356	718,443	749,958	802,414	2,960,002	3,070,972	2,411,242	2,677,773	2,373,008	2,798,041
Unrestricted	20,729,846	20,700,519	19,971,706	19,961,656	19,401,837	19,794,144	20,220,991	20,141,003	19,635,747	22,806,085
Total primary government net position	<u>\$ 89,369,438</u>	<u>\$ 92,129,229</u>	<u>\$ 95,611,814</u>	<u>\$ 97,994,972</u>	<u>\$ 99,820,247</u>	<u>\$ 102,651,428</u>	<u>\$ 104,053,187</u>	<u>\$ 102,970,139</u>	<u>\$ 103,381,215</u>	<u>\$ 111,685,903</u>

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 2,918,312	\$ 1,469,055	\$ 1,213,174	\$ 2,289,052	\$ 2,057,263	\$ 2,115,692	\$ 2,211,617	\$ 5,225,614	\$ 2,130,313	\$ 1,494,759
Public safety	6,064,482	5,483,122	6,288,971	5,819,057	6,342,206	6,272,982	5,769,373	5,784,755	5,683,135	6,000,378
Transportation	1,313,731	1,079,272	733,196	858,877	1,056,475	852,732	922,884	801,834	925,821	954,178
Environmental protection	436,896	354,391	614,650	6,307	642,630	657,371	654,618	670,441	637,164	656,104
Cultural and recreation	2,714,800	2,672,910	2,605,246	2,160,070	2,697,305	2,013,443	1,606,916	2,297,029	2,392,859	2,695,627
Economic and physical development	111,698	184,507	564,134	560,332	169,738	74,514	294,315	624,667	38,316	(158,340)
Interest on long term debt	55,238	40,845	152,570	146,573	125,094	156,808	116,070	71,970	53,203	48,440
Total governmental activities	13,615,157	11,284,102	12,171,941	11,840,268	13,090,711	12,143,542	11,575,793	15,476,310	11,860,811	11,691,146
Business-type activities:										
Water	2,371,762	2,520,231	2,731,579	2,862,429	2,747,337	2,859,068	3,016,643	3,025,019	3,063,667	3,219,750
Sewer	3,118,933	3,164,874	2,741,838	2,679,730	2,785,391	2,603,297	2,778,577	2,975,619	3,046,950	3,132,989
Electric	30,759,233	31,061,372	34,295,374	35,174,520	36,376,695	35,224,262	34,958,237	35,475,345	34,903,483	27,838,189
Stormwater utility	473,209	556,346	530,868	567,190	401,365	414,551	390,349	381,890	422,292	383,638
Warren Field Airport	403,057	567,006	409,650	364,180	394,575	457,044	696,759	505,289	414,818	396,621
Solid waste	1,051,889	1,038,700	1,160,196	1,156,281	1,363,882	1,332,906	1,256,031	1,293,733	1,201,615	1,236,236
Cemetery	-	-	-	264,870	269,614	276,551	285,546	280,857	273,134	315,980
Total business-type activities	38,178,083	38,908,529	41,869,505	43,069,200	44,338,859	43,167,679	43,382,142	43,937,752	43,325,959	36,523,403
Total primary government expenses	\$ 51,793,240	\$ 50,192,631	\$ 54,041,446	\$ 54,909,468	\$ 57,429,570	\$ 55,311,221	\$ 54,957,935	\$ 59,414,062	\$ 55,186,770	\$ 48,214,549
Program Revenues										
Governmental activities										
Charges for services:										
General government	\$ 1,321,938	\$ 784,812	\$ 1,652,554	\$ 619,682	\$ 741,083	\$ 888,616	\$ 826,617	\$ 1,730,280	\$ 151,469	\$ 282,085
Public safety	521,370	225,680	550,576	-	8,000	493,962	650,174	637,212	658,239	760,965
Transportation	5,175	-	-	9,073	4,629	25,563	4,656	6,251	5,378	35,895
Environmental protection	222,829	339,035	266,156	-	-	-	-	-	-	-
Cultural and recreation	318,342	305,729	276,322	293,512	290,902	229,454	242,569	209,408	194,264	265,253
Economic and physical development	2,475	-	9,792	123,536	33,700	76,308	49,759	-	30,000	-
Operating grants and contributions:										
General government	-	33,372	169,511	-	10,722	10,900	7,247	2,483	2,583	34,311
Public safety	417,740	254,801	364,340	448,897	429,860	913,131	486,734	451,338	383,127	353,928
Transportation	315,718	354,222	314,031	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	23,311	6,689	-	-	-	-
Cultural and recreation	117,934	51,220	53,437	50,680	35,611	19,396	156,363	26,259	61,393	36,609
Economic and physical development	150,151	173,251	537,270	46,618	168,152	41,418	17,790	155,244	3,529	-

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital grants and contributions:										
General Government	-	97,047	14,656	21,794	1,998	125,665	-	-	-	-
Public safety	-	161,500	3,400	209,086	237,712	49,931	330,935	-	36,974	7,691
Transportation	-	-	-	284,260	326,458	705,593	167,786	184,004	183,590	180,736
Cultural and recreation	-	41,627	36,066	49,782	31,145	258,579	29,428	48,989	37,166	333,052
Economic and physical development	10,674	6,481	-	483,689	-	313,288	15,375	518,266	54,234	352,400
Total governmental activities program revenues	3,404,346	2,828,777	4,248,111	2,640,609	2,343,283	4,158,493	2,985,433	3,969,734	1,801,946	2,642,925
Business-type activities:										
Charge for services:										
Water	2,652,239	2,933,696	2,961,388	3,037,783	3,146,469	3,151,154	2,983,399	3,154,780	3,175,688	3,311,991
Sewer	2,692,365	2,882,542	2,942,450	2,965,673	3,108,392	3,092,541	3,091,654	3,001,831	2,929,832	3,282,101
Electric	31,988,163	33,506,943	36,442,629	37,264,771	39,301,119	35,283,158	35,420,242	35,913,591	36,657,248	33,751,350
Stormwater utility	397,102	428,826	499,950	517,930	511,951	501,578	500,827	509,015	509,775	589,980
Warren Field Airport	267,196	378,488	222,062	169,329	224,203	221,219	667,196	237,081	211,039	240,484
Solid Waste	1,144,562	1,130,400	1,266,234	1,283,968	1,294,121	1,241,221	1,260,476	1,273,038	1,256,817	1,328,604
Cemetery	-	-	-	213,633	162,923	171,643	171,998	246,884	200,039	204,230
Operating grants and contributions:										
Stormwater utility	53,563	2,569	(13,002)	-	-	-	-	-	-	-
Warren Field Airport	529,243	-	-	-	-	-	-	130,703	-	-
Solid Waste	-	6,750	-	16,000	-	-	-	-	-	-
Capital grants and contributions:										
Water	14,128	11,100	569,523	164,933	3,789	81,284	(113)	15,232	68,798	769,312
Sewer	3,028	-	4,834	445,639	71,924	129,583	(547)	62,963	116,048	747,274
Electric	-	-	61,472	-	414,496	1,496,643	249,451	585,475	35,700	-
Stormwater utility	-	-	-	-	100,000	-	-	-	-	-
Warren Field Airport	32,388	241,739	23,927	289,245	171,381	129,845	449,850	406,420	653,428	365,508
Solid Waste	-	-	-	-	-	-	95	-	-	-
Cemetery	-	-	-	-	-	8,075	-	-	-	-
Total business-type activities program revenues	39,773,977	41,523,053	44,981,467	46,368,904	48,510,768	45,507,944	44,794,528	45,537,013	45,814,412	44,590,834
Total primary government program revenues	\$ 43,178,323	\$ 44,351,830	\$ 49,229,578	\$ 49,009,513	\$ 50,854,051	\$ 49,666,437	\$ 47,779,961	\$ 49,506,747	\$ 47,616,358	\$ 47,233,759
Net (Expense)/Revenue										
Governmental activities	\$ (10,210,811)	\$ (8,455,325)	\$ (7,923,830)	\$ (9,199,659)	\$ (10,747,428)	\$ (7,985,049)	\$ (8,590,360)	\$ (11,506,576)	\$ (10,058,865)	\$ (9,048,221)
Business-type activities	1,595,884	2,614,524	3,111,962	3,299,704	4,171,909	2,340,265	1,412,386	1,599,261	2,488,453	8,067,431
Total primary government net (expense)/revenue	\$ (8,614,917)	\$ (5,840,801)	\$ (4,811,868)	\$ (5,899,955)	\$ (6,575,519)	\$ (5,644,784)	\$ (7,177,974)	\$ (9,907,315)	\$ (7,570,412)	\$ (980,790)

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCURAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 3,673,434	\$ 3,739,953	\$ 3,862,728	\$ 4,017,112	\$ 4,168,418	\$ 4,090,923	\$ 4,291,705	\$ 4,507,481	\$ 4,331,693	\$ 4,345,971
Other Taxes	2,656,435	2,706,538	1,968,844	2,062,546	2,454,156	2,572,734	2,572,097	2,534,728	2,822,864	2,686,421
Unrestricted intergovernmental	1,398,957	1,440,275	1,601,893	1,690,181	1,645,002	1,529,835	1,550,229	1,583,720	2,046,278	2,059,167
Investment earnings	431,607	271,994	132,038	69,776	52,345	27,378	33,980	55,930	59,875	56,520
Miscellaneous	345,191	142,776	616,018	427,889	-	-	-	-	-	-
Transfers	(211,522)	804,211	265,641	905,123	903,525	1,193,432	905,410	368,549	482,067	1,020,291
Total governmental activities:	8,294,102	9,105,747	8,447,162	9,172,627	9,223,446	9,414,302	9,353,421	9,050,408	9,742,777	10,168,370
Business-type activities:										
Investment earnings	404,033	299,054	112,932	15,609	80,873	140,065	131,722	142,409	137,291	137,399
Miscellaneous	865,160	-	-	-	-	-	-	-	-	-
Transfers	211,522	(804,211)	(265,641)	(905,123)	(903,525)	(1,193,432)	(905,410)	(368,549)	(482,067)	(1,020,291)
Total business-type activities	1,480,715	(505,157)	(152,709)	(889,514)	(822,652)	(1,053,367)	(773,686)	(226,140)	(344,776)	(882,892)
Total primary government	\$ 9,774,817	\$ 8,600,590	\$ 8,294,453	\$ 8,283,113	\$ 8,400,794	\$ 8,360,935	\$ 8,579,733	\$ 8,824,268	\$ 9,398,001	\$ 9,285,478
Change in Net Position										
Governmental activities	\$ (1,916,709)	\$ 650,422	\$ 523,332	\$ (27,032)	\$ (1,523,982)	\$ 1,429,253	\$ 763,061	\$ (2,456,168)	\$ (316,088)	\$ 1,120,149
Business-type activities	3,076,609	2,109,367	2,959,253	2,410,190	3,349,257	1,286,898	638,698	1,373,121	2,143,677	7,184,539
Total primary government	\$ 1,159,900	\$ 2,759,789	\$ 3,482,585	\$ 2,383,158	\$ 1,825,275	\$ 2,716,151	\$ 1,401,759	\$ (1,083,047)	\$ 1,827,589	\$ 8,304,688

Table 3

CITY OF WASHINGTON, NORTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Taxes	Sales Taxes	Occupancy Taxes	Auto Licenses	Rental Vehicle Tax	Business Licenses	Franchise Taxes	Total
2007	\$ 3,642,779	\$ 2,221,354	\$ 237,192	\$ 38,208	\$ 14,237	\$ 98,859	\$ 1,044,114	\$ 7,296,743
2008	3,735,845	2,278,957	256,838	41,228	12,602	104,527	1,061,945	7,491,942
2009	3,836,368	2,096,285	255,280	39,914	12,636	164,867	1,186,166	7,591,516
2010	3,876,605	2,006,883	244,628	39,009	13,194	168,029	1,198,455	7,546,803
2011	4,165,483	1,963,488	239,560	38,059	16,046	175,414	1,206,174	7,804,224
2012	4,189,504	2,046,708	250,930	39,039	20,718	182,685	1,130,064	7,859,648
2013	4,301,643	2,096,489	209,346	39,172	15,710	179,941	1,147,567	7,989,868
2014	4,598,572	2,088,807	222,208	68,140	16,686	123,152	1,140,964	8,258,529
2015	4,441,759	2,362,096	247,187	51,913	18,807	114,343	1,286,375	8,522,480
2016	4,340,444	2,330,383	259,553	47,080	19,929	1,504	1,284,505	8,283,398

CITY OF WASHINGTON, NORTH CAROLINA

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 3,428,601	\$ 3,581,076	\$ 3,878,248	\$ 2,643,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,508,319	4,987,976	5,536,430	5,763,532	-	-	-	-	-	-
Non Spendable	-	-	-	-	97,932	85,930	121,327	123,653	191,555	176,585
Restricted	-	-	-	-	2,490,744	2,565,383	1,772,450	1,919,661	1,780,333	1,681,569
Committed	-	-	-	-	21	21	21	21	2,521	2,521
Assigned	-	-	-	-	-	189,471	189,471	243,945	67,735	148,100
Unassigned	-	-	-	-	5,378,942	5,542,226	5,962,328	6,238,713	4,819,600	5,261,097
Total General Fund	\$ 7,936,920	\$ 8,569,052	\$ 9,414,678	\$ 8,407,407	\$ 7,967,639	\$ 8,383,031	\$ 8,045,597	\$ 8,525,993	\$ 6,861,744	\$ 7,269,872
All Other Governmental Funds										
Reserved :										
Special Revenue Funds	\$ 60,744	\$ 23	\$ 14,216	\$ 12,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent Funds	404,975	404,975	414,975	436,575	-	-	-	-	-	-
Total reserved	465,719	404,998	429,191	449,491	-	-	-	-	-	-
Unreserved, undesignated reported in nonmajor:										
Special revenue funds	2,055,490	346,671	546,318	384,279	-	-	-	-	-	-
Capital project funds	-	510,786	-	985,168	-	-	-	-	-	-
Non spendable:										
Permanent Funds	-	-	-	-	452,575	472,175	492,576	525,277	549,751	549,754
Special revenue funds	-	-	-	-	-	-	-	-	199,200	-
Restricted:										
Special revenue funds	-	-	-	-	51,617	25,897	72,863	6,356	12,638	207,268
Capital project funds	-	-	-	-	171,736	120,935	88,454	226,381	30,185	359,351
Permanent funds	-	-	-	-	-	-	-	-	102	99
Committed:										
Special revenue funds	-	-	-	-	-	5,575	-	-	-	-
Capital project funds	-	-	-	-	937,559	1,001,642	1,032,227	1,053,642	1,017,405	1,147,044
Assigned:										
Capital project funds	-	-	-	-	17,104	18,908	17,627	17,670	24,790	26,806
Unassigned:										
Special revenue funds	-	-	-	-	-	(14,197)	(69,006)	(2,501)	(4,570)	-
Capital project funds	-	-	-	-	(29,661)	(15,604)	(21,032)	(181,992)	(20,000)	(157,143)
Total all other governmental funds	\$ 2,521,209	\$ 1,262,455	\$ 975,509	\$ 1,818,938	\$ 1,600,930	\$ 1,615,331	\$ 1,613,709	\$ 1,644,833	\$ 1,809,501	\$ 2,133,179

Note: The City implemented GASB statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. Four years are presented in the format prior to the implementation of GASB 54, along with six years after the implementation.

Table 5

CITY OF WASHINGTON, NORTH CAROLINA

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Ad valorem taxes	\$ 3,642,779	\$ 3,735,845	\$ 3,836,368	\$ 3,876,605	\$ 4,165,483	\$ 4,189,504	\$ 4,301,643	\$ 4,598,572	\$ 4,441,759	\$ 4,340,445
Other taxes and licenses	2,656,435	2,706,538	2,584,862	2,490,435	2,454,156	2,572,734	2,572,097	2,534,728	2,822,864	2,686,421
Unrestricted intergovernmental	1,398,957	1,515,146	1,601,893	1,690,181	1,645,002	1,529,835	1,550,229	1,583,720	2,046,278	2,059,167
Restricted intergovernmental	956,323	1,248,494	1,661,217	1,594,806	1,264,969	2,444,573	1,211,658	1,386,583	665,689	655,238
Permits and fees	180,315	137,313	72,236	89,417	62,564	91,530	64,266	89,360	86,346	95,652
Sales and services	2,267,709	1,592,793	1,356,063	1,200,749	1,278,048	1,432,739	1,491,966	2,390,422	947,930	1,081,231
Interest earnings	431,607	339,899	132,038	68,352	48,822	24,669	30,292	50,405	43,209	36,861
Miscellaneous	215,326	142,776	616,018	92,822	106,506	160,889	192,384	117,073	33,082	144,282
Total revenues	11,749,451	11,418,804	11,860,695	11,103,367	11,025,550	12,446,473	11,414,535	12,750,863	11,087,157	11,099,297
Expenditures										
General government	1,445,247	1,361,084	1,219,469	1,793,943	1,763,828	1,923,459	2,194,170	2,126,445	1,974,023	2,129,523
Public safety	5,972,481	7,206,670	6,195,435	5,842,727	5,975,774	6,144,320	5,767,186	5,410,997	5,515,067	5,644,347
Transportation	1,205,673	1,034,610	869,269	857,848	1,219,102	1,600,006	1,161,707	822,261	1,097,764	976,225
Environmental protection	319,950	358,302	338,247	80,465	369,782	391,087	366,545	390,625	381,415	374,367
Economic and physical development	111,698	184,507	564,134	560,332	171,193	1,111,726	294,315	893,340	-	-
Cultural and recreational	2,502,544	2,778,018	2,553,779	2,060,512	2,478,867	2,433,178	2,170,750	2,216,392	2,231,397	2,180,060
Debt Service:										
Principal retirement	324,654	342,848	411,612	398,618	557,194	234,504	2,893,053	694,725	211,036	205,250
Interest and fees	51,829	40,845	152,570	146,573	125,094	141,398	131,408	71,976	53,209	48,446
Total expenditures	11,934,076	13,306,884	12,304,515	11,741,018	12,660,834	13,979,678	14,979,134	12,626,761	11,463,911	11,558,218
Excess of revenues over (under) expenditures	(184,625)	(1,888,080)	(443,820)	(637,651)	(1,635,284)	(1,533,205)	(3,564,599)	124,102	(376,754)	(458,921)
Other Financing Sources (Uses)										
Transfers in	2,784,753	1,409,002	1,657,730	2,751,484	1,684,575	1,772,934	2,315,000	1,297,826	910,116	1,110,945
Transfers out	1,641,137	(604,791)	(982,730)	(2,277,675)	(762,000)	(579,502)	1,494,609	(910,309)	(2,197,611)	(243,896)
Proceeds from installment note	(1,674,805)	-	317,500	-	246,550	769,566	(584,066)	-	-	-
Long-term debt issued/repaid	-	467,247	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,751,085	1,271,458	992,500	473,809	1,169,125	1,962,998	3,225,543	387,517	(1,287,495)	867,049
Net change in fund balances	\$ 2,566,460	\$ (616,622)	\$ 548,680	\$ (163,842)	\$ (466,159)	\$ 429,793	\$ (339,056)	\$ 511,619	\$ (1,664,249)	\$ 408,128
Debt service as a percentage of non-capital expenditures	3.51%	3.66%	4.89%	4.84%	5.63%	2.93%	22.64%	6.47%	2.43%	2.31%
Fund Balances:										
Beginning of year - July 1	-	-	-	-	-	-	-	-	-	6,861,744
End of year - June 30	-	-	-	-	-	-	-	-	-	7,269,872

Table 6

CITY OF WASHINGTON, NORTH CAROLINA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal Property	Public Service Companies (1)	Total Taxable Assessed Value (2)	Tax Rate (3)	Tax Levy
2007	\$ 447,572,383	\$ 148,784,638	\$ 8,828,131	\$ 605,185,152	0.60	\$ 3,621,647
2008	459,982,104	150,432,739	9,557,567	619,972,410	0.60	3,719,834
2009	475,005,214	142,726,700	10,462,586	628,194,500	0.60	3,769,167
2010	490,983,383	151,311,141	9,770,794	652,065,318	0.60	3,912,392
2011 (4)	671,068,810	152,090,950	12,500,840	835,660,600	0.50	4,178,303
2012	665,125,195	152,995,288	11,992,317	830,112,800	0.50	4,150,564
2013	666,689,015	166,223,118	11,983,267	844,895,400	0.50	4,224,477
2014	678,131,900	196,310,758	10,614,942	885,057,600	0.50	4,425,288
2015	679,010,980	182,651,303	10,678,917	872,341,200	0.50	4,361,706
2016	680,732,033	165,406,064	12,439,703	858,577,800	0.50	4,292,889

Source: Annual County Report of Valuation and Property Tax Levies

Notes:

- (1) Public service companies valuations are provided to the City by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (2) Estimated actual value equals assessed value.
- (3) Per \$100 of value.
- (4) Property in Beaufort County is reassessed every eight years. The last reassessment was on January 1, 2010.

Table 7

CITY OF WASHINGTON

PROPERTY TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	City Direct Rate			Overlapping Rates
	City of Washington	Public Safety Capital Reserve	Total Direct	Beaufort County
2007	.58	.02	.60	.60
2008	.58	.02	.60	.60
2009	.58	.02	.60	.60
2010	.58	.02	.60	.60
2011 (1)	.4856	.0144	.50	.50
2012	.4856	.0144	.50	.53
2013	.4856	.0144	.50	.53
2014	.4856	.0144	.50	.53
2015	.4807	.0193	.50	.53
2016	.4807	.0193	.50	.53

Note: (1) Real property was last revalued on January 1, 2010

Table 8

CITY OF WASHINGTON

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR & 9 YEARS AGO

Fiscal Year 2016					Fiscal Year 2007				
Taxpayer	Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxpayer	Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Gregory Poole Leasing, LLC	Heavy Equipment	\$ 13,959,307	1	1.63%	Stanadyne Automotive Corporation	Gasket Manufacturer	\$ 17,618,378	1	2.91%
Flanders Filters, Inc.	Industrial Filter Manufacturer	11,233,899	2	1.31%	Gregory Poole Leasing LLC	Heavy Equipment	11,279,748	2	1.86%
Wal-Mart Real Estate Business	Real Estate & Retail	10,702,768	3	1.25%	Wal-Mart Real Estate Business	Real Estate & Retail	11,048,291	3	1.83%
Clarcor Engine Mobile Solutions	Air Filtration	9,325,847	4	1.04%	Flanders Filters, Inc.	Industrial Filter Manufacturer	9,970,854	4	1.65%
Pearl Britain, Inc.	Real Estate	8,894,960	5	0.95%	Pearl Britain, Inc.	Real Estate	9,651,298	5	1.59%
Lowe's Home Centers, Inc	Retail	8,193,700	6	0.92%	Lowe's Home Centers, Inc.	Retail	7,530,243	6	1.24%
Flanders Solutions, LLC	Industrial Filter Manufacturer	7,923,510	7	0.76%	Cox Communications Inc.	Cable Utility	6,406,443	7	1.06%
First South Bank	Banker	6,535,290	8	0.71%	Carolina Telephone and Telegraph	Utility	5,571,905	8	0.92%
Pronamic Industries, LLC	Air Filtration	6,086,427	9	0.76%	Pretti Appliance Systems	Digital Electrical Control Mfg.	5,512,359	9	0.91%
Lodging Associates, LLC	Lodging	5,321,361	10	0.71%	Developers Diversified	Real Estate	5,195,896	10	0.86%
Totals		\$ 88,177,069		10.03%	Totals		\$ 89,785,415		14.84%
Valuation		\$ 858,577,800			Valuation		\$ 605,185,152		

Source: Beaufort County Tax Department

Table 9

CITY OF WASHINGTON, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the		Total		Collected within the		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Adjustments	Adjusted Levy	Fiscal Year of the Levy	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2007	\$ 3,603,408	\$ 18,239	\$ 3,621,647	\$ 3,428,541	\$	94.67%	\$ 174,485	\$ 3,603,026	99.49%
2008	3,729,878	(10,044)	3,719,834	3,518,139		94.58%	180,562	3,698,701	99.43%
2009	3,779,421	(10,254)	3,769,167	3,561,944		94.50%	190,511	3,752,455	99.56%
2010	3,944,270	(31,878)	3,912,392	3,671,185		93.83%	222,576	3,893,761	99.52%
2011	4,214,170	(35,867)	4,178,303	3,938,237		94.25%	226,226	4,164,463	99.67%
2012	4,182,836	(32,272)	4,150,564	3,889,207		93.70%	239,607	4,128,814	99.48%
2013	4,212,028	12,449	4,224,477	3,962,116		93.79%	228,365	4,190,481	99.20%
2014	4,441,128	(15,840)	4,425,288	4,255,638		96.17%	135,067	4,390,705	99.22%
2015	4,359,070	2,636	4,361,706	4,249,037		97.42%	81,753	4,330,790	99.29%
2016	4,290,878	2,011	4,292,889	4,188,499		97.57%	-	4,188,499	97.57%

Source: Beaufort County Tax Department

Table 10

CITY OF WASHINGTON, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Percentage Per Capita (1)
	Installment Loans	USDA Loan	Recovery Zone Economic Dev. Bonds	General Obligation Bonds	State Revolving Loan	Installment Loans	Recovery Zone Economic Dev. Bonds				
2007	\$ 3,632,311	-	\$ -	\$ 6,200,000	\$ -	\$ 2,704,709	\$ -	\$ 12,537,020	0.88%	40264%	
2008	889,711	2,867,000	-	4,625,000	2,240,690	3,252,353	-	13,874,754	0.93%	43017%	
2009	844,235	2,818,368	-	3,190,000	2,108,884	2,485,613	-	11,447,100	0.78%	35952%	
2010	494,245	2,769,736	-	2,075,000	1,977,079	2,654,851	-	9,970,911	0.66%	30775%	
2011	199,911	2,714,753	38,673	1,550,000	1,845,274	2,803,203	4,833,327	13,985,141	0.95%	44385%	
2012	796,277	2,656,120	36,002	1,000,000	1,872,691	1,745,095	4,499,998	12,606,183	0.83%	38507%	
2013	2,877,011	-	33,335	430,000	2,095,432	1,323,112	4,166,665	10,925,555	0.69%	31780%	
2014	2,184,952	-	30,669	140,000	1,926,929	697,774	3,833,331	8,813,655	0.54%	25580%	
2015	1,976,583	-	28,002	-	1,758,426	407,078	3,499,998	7,670,087	0.44%	21088%	
2016	1,774,000	-	25,335	-	1,589,923	161,428	3,166,665	6,717,351	N/A	N/A	

N/A - Information not yet available

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 14 for personal income and population data.

Table 11

CITY OF WASHINGTON, NORTH CAROLINA

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total	Percentage of Actual Taxable Value of Property(2)	Percentage of Personal Total Income	Percentage Per Capita(1)
2007	\$ 6,200,000	\$ -	\$ 6,200,000	1.02%	0.43%	19912.00%
2008	4,625,000	-	4,625,000	0.75%	0.31%	14339.31%
2009	3,190,000	-	3,190,000	0.51%	0.22%	10018.84%
2010	2,075,000	-	2,075,000	0.32%	0.14%	6404.52%
2011	1,550,000	-	1,550,000	0.19%	0.11%	4919.23%
2012	1,000,000	-	1,000,000	0.12%	0.07%	3054.65%
2013	430,000	-	430,000	0.05%	0.03%	1250.76%
2014	140,000	-	140,000	0.02%	0.01%	406.33%
2015	-	-	0	0.00%	0.00%	0.00%
2016	-	-	0	0.00%	N/A	N/A

N/A-Information not yet available.

Details regarding the City's outstanding debt can be found in the notes to the Financial Statements.

(1) See Table 14 for personal income and population data.

(2) See schedule 6 for property value data.

Table 12

CITY OF WASHINGTON, NORTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016

<u>Governmental Unit</u>	<u>Long-Term Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Washington	\$ 1,799,335	100.00%	\$ 1,799,335
Beaufort County	<u>24,013,964</u>	22.00%	<u>5,283,072</u>
Total direct and overlapping debt	<u>\$ 25,813,299</u>		<u>\$ 7,082,407</u>

CITY OF WASHINGTON, NORTH CAROLINA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value of Property	\$ 605,185,152	\$ 619,972,410	\$ 628,194,500	\$ 652,065,318	\$ 835,660,600	\$ 836,567,200	\$ 842,405,600	\$ 888,225,600	\$ 871,814,000	\$ 858,577,800
Debt Limit, 8% of Assessed Value (Statutory Limitation)	48,414,812	49,597,793	50,255,560	52,165,225	66,852,848	66,925,376	67,392,448	71,058,048	69,745,120	68,686,224
Amount of Debt Applicable to Limit										
Gross debt	8,572,495	9,732,690	11,447,098	9,970,911	13,985,141	12,606,183	10,925,555	8,813,655	7,670,087	6,717,351
Less: Debt outstanding for water purposes	3,071,643	2,191,429	1,396,201	795,229	567,587	324,769	69,810	-	-	-
Debt outstanding for electric purposes	313,225	223,467	142,375	81,090	2,501,526	33,117	7,119	-	-	-
Total net debt applicable to limit	5,187,627	7,317,794	9,908,522	9,094,592	10,916,028	12,248,297	10,848,626	8,813,655	7,670,087	6,717,351
Legal Debt Margin	\$ 43,227,185	\$ 42,279,999	\$ 40,347,038	\$ 43,070,633	\$ 55,936,820	\$ 54,677,079	\$ 56,543,822	\$ 62,244,393	\$ 62,075,033	\$ 61,968,873
Total net debt applicable to the limit as a percentage of debt limit	10.71%	14.75%	19.72%	17.43%	16.33%	18.30%	16.10%	12.40%	11.00%	9.78%

Note: NC Statute **GS159-55** limits the city's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the city's net debt outstanding applicable to the limit, and represents the city's legal borrowing authority.

Table 14

CITY OF WASHINGTON

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Total Personal Income (2) in Millions	Per Capita Personal Income (2)	Public School Enrollment (3)	Unemployment Rate (4)	Number of Building Permits Issued (5)
2007	9,836	1,428	31,137	6,976	6.30%	218
2008	10,055	1,492	32,254	7,270	7.60%	184
2009	10,214	1,477	31,840	7,294	11.60%	125
2010	10,176	1,505	32,399	7,133	10.80%	185
2011	9,754	1,476	31,509	7,021	11.20%	155
2012	9,740	1,526	32,737	6,957	11.10%	213
2013	9,705	1,585	34,379	7,086	9.90%	173
2014	9,688	1,635	34,455	7,077	7.70%	167
2015	9,757	1,730	36,372	6,904	7.00%	172
2016	9,639	N/A	N/A	6,954	5.70%	151

N/A-Information not yet available.

Notes:

(1) N.C. State Data Center and/or U.S. Census. Estimates are as of beginning of fiscal year.

(2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year

(3) Beaufort County Board of Education

(4) N. C. Employment Security Commission

(5) Total number of building permits issued by City of Washington Inspections Department.

CITY OF WASHINGTON, NORTH CAROLINA

PRINCIPAL EMPLOYERS

Current Year and Five Years Ago *

		2016			2011		
Employer	Employees (1)	Rank	Percentage of Total County Employment (2)	Employer	Employees (1)	Rank	Percentage of Total County Employment (2)
Beaufort Co. Schools	864	1	4.54%	Beaufort County Schools	1031	1	4.69%
Vidant Medical Center	389	2	2.05%	State of NC	732	2	3.33%
Flanders Airpure NC Division	439	3	2.31%	Flanders Filters	630	3	2.86%
Beaufort County	344	4	1.81%	Beaufort County Hospital	483	4	2.20%
City of Washington	220	5	1.16%	Mega Force Staffing Group Inc.	462	5	2.10%
Clarcor Engine Mobile Solutions	214	6	1.13%	Stanadyne Corporation	438	6	1.99%
Wal-Mart	170	7	1.13%	Beaufort County	293	7	1.33%
Hackney Kidron	154	8	1.16%	City of Washington	243	8	1.10%
IDX Impressions	150	9	0.89%	Wal-Mart	228	9	1.04%
PAS	120	10	0.79%	Hackney Division of SVC	164	10	0.75%
Total	3,064			Total	4,704		

(1) Human Resource Departments of companies - includes full time

(2) Employment Security Commission of North Carolina

CITY OF WASHINGTON, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary government:										
General government	24	30	31	27	27	26	26	23	23	23
Public safety	87	86	88	92	92	92	89	88	84	82
Transportation	14	14	14	14	13	13	12	12	11	11
Environmental protection	9	9	9	4	9	9	9	9	9	9
Cultural and recreation	19	14	15	15	16	16	14	15	15	15
Business-type activities:										
Water	15	15	15	14.5	14.5	14.5	14.5	14.5	14.5	13.5
Sewer	14	14	14	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Electric	42	36	36	36	36	36	34	36	35	36
Stormwater utility	6	6	5	5	-	-	-	-	-	-
Solid waste	11	12	12	12	13	13	13	13	13	12
Beaufort county water districts	-	-	-	-	-	-	-	-	-	-
Civic center	-	1	1	1	1	1	1	1	1	-
Aquatic center	-	2	2	2	2	2	1	1	1	1
Cemetery	-	-	-	5	5	5	5	5	5	5
Airport	-	-	-	-	-	-	-	1	1	1
Total	241	239	242	242	243	242	233	233	227	223

Source: City Finance Department

Note: This schedule represents number of persons budgeted as of June 30 of each year.
Full time personnel work 2,080 hours per year (less vacation and sick leave).

CITY OF WASHINGTON, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	1,109	1,360	1,408	1,111	989	1,180	1,626	1,561	1,008	771
Parking violations	102	102	163	400	52	155	103	173	335	58
Traffic violations	3,049	1,140	1,877	2,237	1,151	1,382	1,770	3,437	2,043	1,531
Fire										
Fire calls	404	457	715	619	698	689	653	596	533	875
EMS calls	1,858	1,931	2,050	2,168	2,170	2,319	2,345	2,463	2,485	2,878
Fire inspections	891	843	766	663	702	628	868	693	578	551
Streets										
Street resurfacing (miles)	3.84	1.23	-	-	2.18	-	-	-	1.76	-
New Construction (miles)	0.29	-	0.14	0.2	-	0.21	-	-	-	-
Solid Waste										
Refuse collected (tons/day)	25.33	24.26	22.58	21.7	21.2	20.9	20.37	19.93	20.04	19.97
Recyclables collected (tons/day)	0.68	0.84	0.87	1.28	1.62	1.96	1.9	1.81	1.85	2.01
Library										
Number of patrons	88,260	93,054	86,689	80,789	73,721	73,721	81,477	79,611	101,155	101,471
Number of Volumes	61,540	58,998	63,782	67,113	79,603	98,485	71,018	72,452	67,093	62,469
Water Utilities										
Number of customers										
Inside city	4,784	4,816	4,868	4,873	4,886	4,896	4,868	4,908	4,926	4,945
Outside city	216	225	222	228	232	244	257	258	254	257
Average daily consumption (millions of gallons)	2.025	2.26	2.757	2.241	2.312	2.289	2.256	2.295	2.274	2.288
Wastewater Utilities										
Number of customers										
Inside city	4,608	4,677	4,713	4,725	4,724	4,744	4,724	4,764	4,788	4,815
Outside city	100	116	121	120	121	128	137	138	136	141
Average daily treatment (millions of gallons)	1.769	1.517	1.639	1.859	1.727	1.486	1.942	2.035	1.972	2.081
Electric Utilities										
Number of customers	13,262	13,338	13,374	13,406	13,436	13,475	13,519	13,571	13,602	13,950
KWH Purchased	303,371,870	307,997,247	302,984,387	303,776,252	309,544,904	287,914,605	294,904,066	299,521,881	299,624,705	282,280,172
KWH Sold	284,923,965	286,998,316	283,188,507	281,258,069	297,422,463	274,920,134	280,051,176	280,590,510	281,465,066	268,070,585
Unaccounted KWH	18,447,905	20,998,931	19,795,880	22,518,183	12,122,441	12,994,471	14,852,890	18,931,371	18,159,639	14,209,586

Sources: Various city departments

Note: Indicators are not available for the general government function.

**CITY OF WASHINGTON, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Table 18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	13	15	14	14	14	14	13	14	14	14
Fire										
Stations	1	2	2	2	2	2	2	2	2	2
Streets										
Total miles	55.44	55.54	55.44	58.5	58.5	59.01	59.01	59.01	59.01	59.01
Paved miles	52.06	52.06	52.2	57.06	57.36	57.45	57.46	57.46	57.46	57.46
Unpaved miles	3.38	3.38	3.24	1.44	1.44	1.56	1.55	1.55	1.55	1.55
Recreation										
Neighborhood Centers	1	1	1	1	2	2	2	2	2	2
Civic Centers	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Outdoor Courts										
Tennis	2	2	2	2	2	2	2	2	2	2
Basketball	7	7	7	7	7	7	7	7	7	7
Shuffleboard	-	-	-	-	-	-	-	-	-	-
Horseshoes	2	2	2	2	2	2	2	2	2	2
Bocce	1	1	1	1	1	1	1	1	1	1
Skate Park	-	1	1	1	1	1	1	1	1	1
Boat ramps	4	4	4	4	4	4	4	4	4	4
Boat Slips										
Rental	36	36	36	36	36	36	36	36	36	36
Free	12	12	12	12	12	12	12	12	12	12
Piers										
Fishing	1	1	1	1	1	1	1	1	1	1
Boats	4	4	4	4	4	4	4	4	4	4
Parks										
Total Acreage	352	352	352	550	550	550	550	550	550	550
Open Space	124	124	124	162	162	162	162	162	162	162
Wilderness	140	300	300	300	300	300	300	300	300	300
Parks	88	88	88	88	88	88	88	88	88	88
Sports Fields										
Soccer	8	8	8	8	8	8	8	8	8	8
Football	1	-	-	-	-	-	-	-	-	-
Baseball	5	6	6	6	6	6	6	6	6	6
Softball	3	3	3	3	3	2	2	2	2	2
Water Utilities										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Fire hydrants	664	667	672	684	687	697	697	700	701	701
Maximum daily capacity (millions of gallons)	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45
Miles of water mains	81	81	81	82.19	82.19	82	82	82	82	82
Wastewater Utilities										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Lift stations	30	30	30	31	31	32	32	32	32	32
Maximum daily treatment capacity (millions of gallons)	3.65	3.65	3.65	3.65	3.65	3.65	3.65	3.65	3.65	3.65
Miles of gravity mains	74	74	74	74.3	74.3	74.3	74.3	74.3	74.6	74.6
Miles of force mains	27	27	27	28.27	28.27	30.35	30.35	30.35	30.35	30.35
Electric Utilities										
Miles of distribution lines	400	400	400	400	400	400	400	400	400	450
Miles of transmission lines	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
Substations	8	8	8	8	8	8	8	8	8	8
Storm Water Utility										
Miles of storm mains	32	32	32	32	32	32.1	32.1	32.1	32.1	32.1

Sources: Various city departments

Note: No capital asset indicators are available for the general government function.

Compliance Section

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act
- Schedule of Findings, Responses, and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Washington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Washington, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of Washington Tourism Development Authority, as described in our report on the City of Washington's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Washington Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Washington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Washington's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Washington's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Washington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
December 5, 2016

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Washington, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Washington, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Washington's major federal programs for the year ended June 30, 2016. The City of Washington's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Washington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Washington's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Washington complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the City of Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Washington's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Washington's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
December 5, 2016

CITY OF WASHINGTON, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported
- Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Economic Adjustment Program/Infrastructure Improvement - Economic Development Cluster	11.307

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

CITY OF WASHINGTON, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statements Findings

None reported.

3. Federal Awards Findings and Questioned Costs

None reported.

CITY OF WASHINGTON, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2015-001

Status: Corrected in current year.

CITY OF WASHINGTON, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
SFOR THE YEAR ENDED JUNE 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through or Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards:					
<i>U.S. Department of Homeland Security</i> <i>Federal Emergency Management Agency</i> Assistance to Firefighters Grant	97.044	EMW-2013-FO-00197	\$ 7,833	\$ -	\$ 263
<i>U.S. Department of the Interior</i> <i>National Park Service</i> Historic Preservation Fund Grants-In-Aid	15.904	P14AF00082	1,825	-	675
<i>U.S. Department of Commerce</i> <i>Economic Development Administration</i> <i>Economic Adjustment Program/Infrastructure Improvement - Economic Development Cluster</i> Economic Adjustment Assistance	11.307	04-79-06833	985,209	-	963,385
<i>U.S. Dept. of Justice</i> <i>Bureau of Justice Assistance</i> Bullet Proof Vest Partnership Program	16.607	342007005	1,488	-	1,488
<i>U.S. Department of Transportation</i> <i>Passed through the North Carolina Department of Transportation</i> <i>Division of Aviation:</i> Airport Improvements - New Terminal Building	20.106	36237.38.13.1	118,459	-	13,462
Airport Improvements	20.106	36237.38.11.1	329,676	36,985	40,740
<i>Total U.S. Department of Transportation</i>			448,135	36,985	54,202
<i>U.S. Environmental Protection Agency</i> <i>Passed through the North Carolina Department of Environmental Quality</i> Capitalization Grants for Clean Water State Revolving Fund	66.458	CS380521-06	132,266	33,067	-
<i>Total U.S. Environmental Protection Agency</i>					
Total Federal Awards			<u>1,576,756</u>	<u>70,052</u>	<u>1,020,013</u>
State Awards:					
<i>N.C. Department of Cultural Resources</i> State Aid to Libraries			-	6,895	-
<i>N.C. Department of Transportation</i> Powell Bill			-	180,736	-
<i>N.C. Department of Environment and Natural Resources</i> <i>Division of Coastal Management</i> <i>NC Public Beach & Coastal Waterfront Access Program:</i> Municipal pier project			-	108,000	27,000
<i>Division of Water Infrastructure</i> Technical Assistance Grant			-	35,000	-
<i>Total N.C. Department of Environment and Natural Resources</i>			-	143,000	27,000
Total State Awards			-	330,631	27,000
Total Federal and State Awards			<u>\$ 1,576,756</u>	<u>\$ 400,683</u>	<u>\$ 1,047,013</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Washington under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Washington, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Washington.

Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Loans Outstanding

The City of Washington had the following loan balances outstanding at June 30, 2016 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2016 consist of:

<u>Program Title</u>	<u>CFDA</u>	<u>Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Fund	66.458	CS380521-06	\$ -